

IMPROVING MARKETING AND SALES OF MONGOLIAN GOLD JEWELLERY

SCOPING MISSION REPORT



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(GIZ) AND SWISS DEVELOPMENT AND
COOPERATION (SDC)

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The Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) offers customised solutions to complex challenges. It assists the German Government in achieving its objectives in the field of international cooperation. The *Integrated Mineral Resource Initiative* (IMRI) assists Mongolia in developing economic policies and strategies for inclusive growth based on the mineral resources sector. The programme contributes to the improvement of institutional and economic policy preconditions for a better utilization of investments into and revenues from the mineral resources sector for sustainable and broad-based economic growth, involving the Mongolian and international private sector. It is IMRI's aim to enhance the capacities of its partners for fact-based, sustainable economic policy strategies and decisions. This concerns, for example, the analysis of different value chains and their potential for socio-economic development in Mongolia. Looking at the different mineral resource value chains, particularly the gold value chain seems promising.

About SDC and the SAM Project

SAM Phase 4 builds upon 10 years of implementation and aims to consolidate the remarkable progress towards responsible community mining within an enabling legal framework for Mongolia's 60,000 plus artisanal miners and their dependents. The project mainstreams Human Rights Based Approaches (HRBA) and gender as tools to enhance the application of relevant laws and international treaties, empowerment of State actors and artisanal mining stakeholders, active, free and meaning full participation, attention to vulnerable groups such as women, youth and children, and enhancing accountability by the State towards building up a responsible and sustainable ASM sector. The project supports a strong capacity transfer to key partners such State and artisanal miners' organisations.

The SAM Phase 4 Development goal is: An economically sustainable, environmentally responsible and human rights based ASM sector in Mongolia benefiting from, and contributing to, global best practice regarding artisanal and small-scale mining.

The project is expected to impact at national level through contribution to "an economically sustainable, environmentally responsible and human rights based ASM sector in Mongolia". At global level, the project aims to influence "global best practice", through knowledge sharing platforms, which in turn will benefit Mongolia and increase commitment to national achievements in ASM.

The three components of the project are: (i) Human rights based ASM policy and community mining; (ii) Economic strengthening of all formal supply chain stakeholders; (iii) Knowledge-sharing and global ASM policy dialogue.



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Executive Summary

This study considers the potential of Mongolia's gold jewellery industry to serve as an opportunity for socio-economic development from a market perspective. It builds on work done by other researchers to consider, in detail, the **market potential of Mongolian high-end and artisanal/handcraft gold jewellery in domestic and international markets.**

The research involved the following activities:

- Literature review
- Consultation with international 'mission-based' jewellers that may have an interest in incorporating Mongolian jewellery design and/or manufacture into their supply chains, or distributing Mongolian crafted jewellery.
- One week mission to Ulanbaatar, 8th – 12th December 2014.
- Web-based research on jewellery businesses and initiatives of inspiration.

The author had the great pleasure of the research support of Jamiyansuren Onolt, a prestigious calligrapher, artist, and goldsmith. The author insisted on having a local jeweller work with her to build the expertise of a member of the Mongolian jewellery community, to aid with interpretation, and to problem-solve and support organising meetings whilst on the go, given the tight schedule.

Support Framework

The risk of Dutch Disease and over-dependence on mining for economic growth has encouraged the Government to seek diversification and investment in other industries, including jewellery. As a result, several Government initiatives and ministries, as well as private sector-led initiatives are already well positioned to support the jewellery sector's development:

- **Ministry of Environment, Green Development and Tourism¹:** Improve linkages with tourism. For example, tourists as consumers, artisanal mining and jewellery as themes for discovery by tourists.
- **Ministry of Education, Science and Culture:** Support efforts to build the right type of Mongolian design ethic into jewellery
- **Ministry of Health and Sport:** Producing medals and trophies is important business to Mongolian jewellers
- **Ministry of Industry:** support efforts to rationalise the jewellery sector to improve profitability and productivity
- **The Mongolian National Marketing Coordination Office (MNMCO):** At the heart of promoting a 'Mongolia Nation Brand' abroad to enable export businesses to thrive.
- **Invest Mongolia:** Could provide support to the country's jewellery sector where a.) The sector is attracting FDI to the country, or b.) Help is needed for Mongolian jewellers to identify contacts to enable export. Export of Mongolian jewellery abroad could help position Mongolia as an advanced culture, embracing tradition with modernity.
- **The Union of Mongolian Production and Service Cooperatives:** supports 100 cooperatives and family-run businesses, of which 17 are jewellers.

¹ The government ministries were recently shuffled. During the field research, portions of the three highlighted ministries were unified under the Ministry of Culture, Sports, and Tourism. During the fieldwork, conversations with government bureaucrats were positive, even amidst the uncertainty of reshuffling.

- **Tumen Erdenes:** Unites businesses using employed labour. Members meet, share information on the market and technology, and have opened their own store near the Night Market.
- **Mongolian Gold Producers Association:** represents exploration, mining and refining companies operating in Mongolia. Sees itself as representing the interests of the entire gold sector in Mongolia, including Mongolian jewellers. It is cooperating with Tumen Erdenes and has been supporting them with their lobbying of government. Artisanal miners do not have a direct relationship to the association; the ASM Federation is not a member.
- **ASM Federation:** Well-connected across supply chains, could provide critical linkages as well as in-depth understating of the challenges and opportunities within the sector.

Sector Challenges

The Mongolian jewellery sector has experienced **areas of growth and decline** in the past 25 years. Today, there are about 1 million active consumers of jewellery in Mongolia serviced by around 25 active factories, over 100 active goldsmiths, and an unknown number of silversmiths. 90% of jewellery production takes place in Ulanbaatar. Likewise, 80% of the Mongolian jewellery market is in Ulaanbaatar, where, approximately 90 billion Tughrik (US\$46.4 million) worth of jewellery is sold through 1250 retailers, most of which are clustered in two main retail centres

Key Statistics

- The Mongolian jewellery sector is worth \$58m per annum.
- **90%** of Mongolian jewellery production & **80%** of the market takes place in Ulanbaatar
- **90%** of gold jewellery is imported
Of the remaining 10% market share, **30-40%** is controlled by four factories.
- **80%** of students at Rajiv Gandhi Polytechnic College for Production and Art are male
- In the 1980s, 95% of Mongolia's trade was with the USSR; today China is the recipient of **90%** of Mongolia's exports.
- Of **392,844 tourists** visited who Mongolia last year, an estimated **90,000-150,000** are 'eco' or 'adventure tourists.
- There are about 1 million active

While overall jewellery consumption has begun to recover following economic downturns, the consumption of Mongolian-manufactured jewellery is contracting and all existing markets are saturated. An estimated 90% of gold jewellery (by value) is imported. There is minimal check on quality, claims on provenance or metal content, or other aspects of legal compliance since much of this is imported illegally. The current strategy for many Mongolian manufacturers is to try to imitate the imported fashion jewellery that is selling, but they cannot compete on price.

A further challenge is a lack of the right technology, which is an impediment to innovation and creating affordable, high quality products. Technology-pooling could be an option for improving efficiencies and business performance.

Despite modern challenges to the sector, there remains a great deal of solidarity amongst Mongolian jewellers. Competition is not something they naturally embrace and there is respect for others' market territory. This means that there is a huge diversity of products in the Mongolian jewellery market, and a degree to which each factory has established a brand.

Sector Strengths and Opportunities

The industry would be wise to focus efforts away from head-on competition with the imported jewellery. A consideration of the jewellery sector's existing strengths, and some imagination as to how to build upon these could provide directions that lead the sector to a more resilient future derived from innovation based on intrinsic qualities rather than imitation. In business speak, this is called blue ocean strategy.

One such strength is Mongolia's rich heritage of Art and Culture. Leading jewellers already draw upon this heritage in their design work. Other design departments are missing this opportunity, producing products of mediocre aesthetic that are old-fashioned rather than sensitively nostalgic. Some are comparable to the clumsy designs of the mass-imported jewellery retailing in Mungun Zavva. This may appeal to existing consumer profiles, but the opportunity in these markets is small if not nil.

There are two directions to be taken to improve the current situation: one is to help *artists* make their jewellery work more commercialisable; the other is to help existing *jewellery companies* introduce design innovation more strongly into product development. Both directions apply to high-end as well as artisanal/handcrafted gold jewellery in domestic and international markets.

Domestic Markets and Distribution Channels

Mongolian jewellers depend upon domestic markets supported by the 'ordinary Mongolian' purchasing traditional items for home use or as gifts, the State, and religious institutions. Product design and manufacturing cycle are almost entirely determined by the preferences of domestic consumers, and the sales cycle is primarily influenced by the cultural calendar.

Opportunity exists to expand domestic markets to include foreign visitors. If Mongolian jewellers could capture 10% of the money business and leisure tourists presently spend on discretionary items (\$6.6m) they would see a growth in their domestic market of 57%. Mongolia is a destination for eco-tourists and adventure tourists seeking to experience 'wilderness' and 'authentic' indigenous ways of life. This marries well with the creation of jewellery products that could draw on Mongolian ethics, values, and customs – for example: nature, tradition, nomadism, music, livestock, sport, Buddhism, calligraphy, etc.

These potential customers offer minimal opportunity for existing product ranges; new products will need to be developed, and better distribution is essential. The type of products of likely interest to this new market are Mongolian-designed and made pendants and earrings, traditional jewellery souvenirs, like snuff bottles, airag bowls, key-rings, and wolves' teeth. Market research would enable jewellers to understand how to market these products to this segment.

Existing distribution channels for the domestic market are largely through four spaces: exhibitions, the factory or goldsmith's booth, a factory's dedicated retail shop, or a jewellery booth in a retail space. The most important space for retailing jewellery is the 1250 kiosks in Ulanbaatar. Opportunities for alternative distribution channels domestically include: Mary and Martha, a shop that specialises in retailing Mongolian souvenirs to tourists; hotel lobbies; museums; and The Rajiv Gandhi Polytechnic College of Production and Art. Mongolian Cashmere companies, such as Gobi, have been leading the way in developing a high quality, trusted "Mongolia" brand, and may offer promising opportunities for partnership, collaboration, or mentorship.

Export Markets and Distribution Channels

Mongolian jewellers legally exported \$166,000 worth of products from 2010 to 2014. By contrast *over \$4 million* worth of products containing precious metals were *legally* imported in the same period. Export market opportunities for Mongolian jewellers do exist, but there are significant barriers, including: knowledge of how to ship securely and cost-effectively; knowledge of the legal frameworks in export markets; understanding of fashions and tastes in export markets; challenges in getting cash back into Mongolia.

Historically, international distribution channels meant Mongolian jewellers marketing their wares to consumers in Soviet bloc countries. During the transition to a market economy, *'the old ties went and new ones weren't established'*. Today, Russia and China consume most of Mongolia's exports, but the partners present opposite challenges. Russia's penchant for 22 karat gold products and abundance of wealthy consumers offer a significant market. However, importing jewellery to Russia involves excessive 'red tape' and a high risk of goods confiscation by Russian border guards. Exporting to China is a much easier prospect – you simply need a licence. However, incentive is low: consumers demand lower quality goods, the market scale in China can be overwhelming, and commercial risks include IP theft.

Mongolia as a jewellery-manufacturing destination is another channel that may, at the moment, be fraught with more obstacles than opportunities. International competition for these opportunities is fierce and already dominated by jewellery manufacturing destinations like India or Turkey. Meanwhile, western jewellery designers often look for partnerships with countries that already have a strong handcraft jewellery tradition firmly in place (like Bali, India and Thailand) matched with domestic companies experienced with dealing with the cultural particulars, standards and norms, of a western company.

New channels, including western markets, are feasible and most directly linked to opportunities to develop the ethnic or craft market. Inspiration can be drawn from initiatives around the world that are promoting Southern Jewellery manufacture to Northern Markets at a broad range of price points and styles. These include: Starfish, CORNERSTONE, Aayenda from Future Brilliance, Streams in the Desert, Pippa Small, Reflective Images, Turquoise Mountain, and Vukani Ubuntu. In order to make western markets commercially feasible, these jewellers have successfully considered: competition (price); aesthetic; quality assurance; distribution (access) and story-telling.

Alternative distribution channels with the some potential include placement in Overseas Jewellery Retail Outlets, Internet sales, distributing whole products to new markets through international jewellers, and duty-free and free-trade zones.

Links with the ASM Sector

ASM are already suppliers to the jewellery sector and consumers of jewellery; opportunities to deepen these ties include:

Miners as Suppliers: Mongolian jewellers use between 3-5% of the estimated 5 tonnes of gold produced by ASM each year. This makes jewellers a fairly insignificant buyer of ASM gold but illustrates a potential market. Meanwhile, Mongolian jewellers use 7-9 tonnes of silver per annum, most of which is imported from China or Korea. Silver is a by-product, and presently a waste material, from ASM gold. Up to 250kg of silver, at a value of around \$135,000 may be being lost each year. This is not a huge figure at the national level but is not an insignificant loss to artisanal miners and jewellers.

Miners as Jewellers: Miners are interested in developing their businesses, and adding value to their gold by crafting it into jewellery is an obvious strategy. However liquidity, low skills, and uncertain market make the risks high for turning miners into jewellers. There may be a more realistic opportunity for livelihood diversification into *silver* products for a mining family.

Incorporating Changers: Jewellers are not important customers for Ulanbaatar's changers. Nevertheless, changers could be instrumental in helping Mongolian jewellers link with ASM and build a story about the origin of their material owing to their ties to communities and understanding of provenance.

Fairmined Gold: Mongolia now hosts one of the world's best artisanal gold mines, Tsakhan Tsakhir, which was recently certified by Fairmined. It may be possible for a complete supply chain of Mongolian jewellery made with Mongolian Fairmined Gold to be crafted and marketed to tourists in Mongolia and potentially overseas as well. This would be *unique* in Asia and perhaps in the world – Mongolia is the only Asian country with a Fairmined (or Fairtrade) mine.

Key Opportunities

Opportunities exist for immediate development and investment. Currently, smiths and factories using outdated techniques and technologies dominate the sector. This is preventing Mongolian jewelers from achieving their full potential in terms of the aesthetic & quality of their jewelry. Competition in design and new types of artistic inspiration must be generated to drive innovation and quality improvements and move jewelers from *imitation* to *initiation*. Commercial relationships with other fashion and luxury sectors will aid this.

Poor quality of gold is an impediment to high quality jewelry. Improvements in assurance of material and product would help access to new markets.

There is also a need to better understand different market segments, including fashion and taste, to get the pitch, placement and pricing right. Mongolian jewelry manufacturers and retailers would benefit from training in branding to improve differentiation between them.

Strong opportunities exist in cross-sector collaboration, integration, and mentorship. Tourism, Cashmere, Leather, Mining – all of these sectors relies upon products and services that contain intrinsic Mongolian features. Each offers unique opportunities to Mongolian jewellers.

There is huge scope for traceability, story telling and the creation of an 'ethical' jewellery sector in Mongolia. Even without the additional story of Mongolian gold, the sector has a lot to draw upon in terms of building Mongolian heritage and future into design, at least. But a bigger opportunity exists. At its weakest, Mongolian-made jewellery using Mongolian ASM gold would stand apart from other ethical jewellery products. The international market is crying out for jewellery made with ethical artisanal gold.

Next Steps

While the willingness to see the Mongolian jewellery sector develop exists both internally and externally, it needs investment and vision. A national programme to develop the industry could involve the following activities to get things started:

Jewellers need trained in:

- Marketing & sales: what customers want, how to increase benefits from existing markets, how to open new markets.
- Exporting: why and how to export, the risks and rewards.
- Study tours to see how successful jewellers are doing it elsewhere
- Business strategy including:
 - how to brand, how to build a brand, and how to use it for commercial gain
 - design as a core driver for product innovation
 - competition as a core driver for commercial innovation
 - specialisation
 - blue ocean thinking (what assets do we already have, and how can we deploy these in new products, services, sectors)

The Sector needs:

- Detailed stakeholder mapping.
- Support to
 - develop new business models
 - improve returns from existing markets
 - develop and prioritise amongst new distribution and marketing channels
 - drive innovation in design, including strengthening jewellery's links with fashion & art in Mongolia
- Legal and fiscal reform, and enforcement particularly at customs.
- Experimentation of new products in new markets.
- Financial support to aid liquidity and risk-taking, drive innovation.
- Improved quality & assurance, including traceability of materials and jewellery items
- Improved story telling around jewellery sector, individual product ranges, materials, including communications, PR and Publicity
- Development of individual brands AND a national jewellery brand
- To build relationships with other sectors to leverage what they offer, and vice versa

A Jewellery Programme could involve the Following Activities to get things started:

1. Nurture a willingness to invest in sectoral development amongst Mongolian jewellers. For example, there is the possibility the association would co-finance an international marketing expert to run a training with them on commercialisation strategies for their jewellery. Where the jewellers are investing, they'll have a greater stake in succeeding.
2. Carry out a detailed stakeholder mapping.
3. Recruit existing jewellery retailers, including booth sellers, to see how they can be part of the solution for resurrecting the Mongolian jewellery-manufacturing sector.
4. Create a multisector roundtable to explore linkages and coordinate efforts.
5. Engage UNCTAD's inter-agency working group to consider opportunities for marketing to tourists.
6. Consider how to align jewellery sector strategy with Mongolia's economic vision for its tourism sector.
7. Create an export marketing board to facilitate market identification and access.
8. Engage the new ministries to confirm interest and potential roles in either of these organs.
9. Carry out a more detailed Market Survey, including quantitative surveys and interviews with existing and potential customers, distributors, and jewellers, as well as allies for accessing new customers (e.g. tourism, fashion, and clothing companies)

- and sector governance bodies). This should cover the most desirable domestic and international markets and distribution channels identified in this study.
10. Match those markets and distribution channels where the most realistic and rewarding opportunities exist with the artists, factories and smiths that are most able to specialise and target them.
 11. Build a mentoring programme to support these businesses to identify opportunities that are appropriate to their brand and strengths and to pursue these.
 12. Pilot training on markets and marketing.
 13. Engage a PR firm to help create stories on Mongolian jewellery that will appeal to different market segments.
 14. Support Tumen Erdenes with their vision for how to improve the operating environment for Mongolian jewellers. Also engage the Producer and Service Providers Association.
 15. Map Mongolian materials that could be used in Mongolian jewellery as part of a broader 'made in Mongolia' story. How do these align with the tastes of the new target markets?
 16. Identify a partner country for study tours.
 17. Support jewellers and associations participate in international jewellery exhibitions, but with specific educational and commercial goals attached.
 18. Engage CIBJO to see if/how they could provide support for the development of the Mongolian Jewellery Sector. Consider involving them in the Export Promotion Board. Introduce them to Tumen Erdenes.
 19. Scope with the Alliance for Responsible Mining the potential for creating a 'Mine to Mrs' complete supply chain for Mongolian jewellery made with Mongolian Fairmined gold for sale to domestic consumers, e.g. tourists.
 20. Engage the jewellery initiatives identified in Table 8, and others that may exist, to investigate the potential for collaboration and mutual benefit.

Ultimately the author recommends the GIZ and SDC establish a programme to support the Mongolian jewellery sector, but this not be *dependant* on a link with the ASM sector but contribute to strengthening ASM supply chains, e.g. by enhancing an existing market for ASM gold, and story-telling and promotion of Mongolian ASM gold in Mongolian-made jewellery.

1. Introduction

Rationale of Study²

This study was commissioned by the German Federal Ministry for Economic Cooperation and Development (BMZ), Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ), which supports Mongolian decision-makers in promoting sustainable economic development through its *Integrated Mineral Resource Initiative* (IMRI). It has been supported also by the Sustainable Artisanal Mining (SAM) Project of the Swiss Agency for Development and Cooperation (SDC), which has extensive expertise in working with artisanal gold miners and, in its fourth phase from 2015-2018, is working to formalise and economically strengthen the gold value chain.³

IMRI has identified the gold jewellery sector as an opportunity for employment-intensive and low-tech production, as the basis for adding value to Mongolia's gold supply chains. However, the Mongolian jewellery manufacturing sector is in decline in the face of fierce competition. Is this an opportunity for sustainable growth? Another impetus for this work whether Mongolian artisanal and small-scale miners (ASM) and their communities might improve their livelihoods through engagement with the jewellery sector, either by formally commercialising their gold to jewellers or by doing jewellery as a supplementary individual or household livelihood.

Research Goals and Objectives

The ultimate goal of this scoping and fact finding mission was to determine whether investment in Mongolia's Jewellery Sector is worthwhile for GIZ and/or SDC from a development point of view. It therefore considers the potential of Mongolia's gold jewellery industry to serve as an opportunity for socio-economic development from a market perspective. It builds on work done by other researchers⁴ to consider in detail the **market potential of Mongolian high-end and artisanal/handcraft gold jewellery in the domestic and international markets**. Opportunities for jewellery made from responsible ASM gold have also been explored, linking with jewellers and markets that have preference for certified or 'responsible' ASM gold jewellery.

The focus areas of this work are:

- Understand the **areas of growth and decline** in the Mongolian jewellery sector and identify **opportunities for change**
- Scope the **market potential** for both high-end and artisanal/handcrafted gold jewellery in the domestic and international markets.
- Explore the **opportunities for jewellery made from responsible ASM gold**, linking with jewellers and markets that have preference for certified ASM gold jewellery.
- **Define potential needs of local jewellers and related stakeholders** with regard to training, design and marketing in order to utilize opportunities identified.

² This rationale has been adapted from the Terms of Reference. See Annex 1.

³ SDC 2014.

⁴ Will Francis' 2014 study, *Gold Jewellery in Mongolia (Fact-finding mission and first trainings)*, BGR and MRAM's 2013 study, *Gold in Mongolia: Overview of value chain from mine to fine gold jewellery*, and Zorigoo Gunzen's 2014 study, *Report on National Quality Infrastructure Aspects of Gold Jewellery Industry in Mongolia*.

Research Approach

The research involved the following activities

- Literature review
- Consultation with international ‘mission-based’ jewellers that may have an interest in incorporating Mongolian jewellery design and/or manufacture into their supply chains, or distributing Mongolian crafted jewellery.
- One week mission to Ulanbaatar, 8th – 12th December 2014.
- Web-based research on jewellery businesses and initiatives of inspiration.

The author worked had the great pleasure of the research support of Jamiyansuren Onolt, a prestigious calligrapher, artist and goldsmith, who is of some renown in Mongolia. The author insisted on having a local jeweller carry out fieldwork with her to build the expertise of a member of the jewellery community, to aid with interpretation where needed, to ensure she had access to immediate solutions and to support organising meetings whilst on the go, given the tight schedule. Jamiyansuren had worked with Will Francis, so this also built some continuity between the two studies.

Key Elements of a Jewellery Business

Figure one provides a schematic one can use to make sense of a jewellery business and the various aspects that influence its resilience.

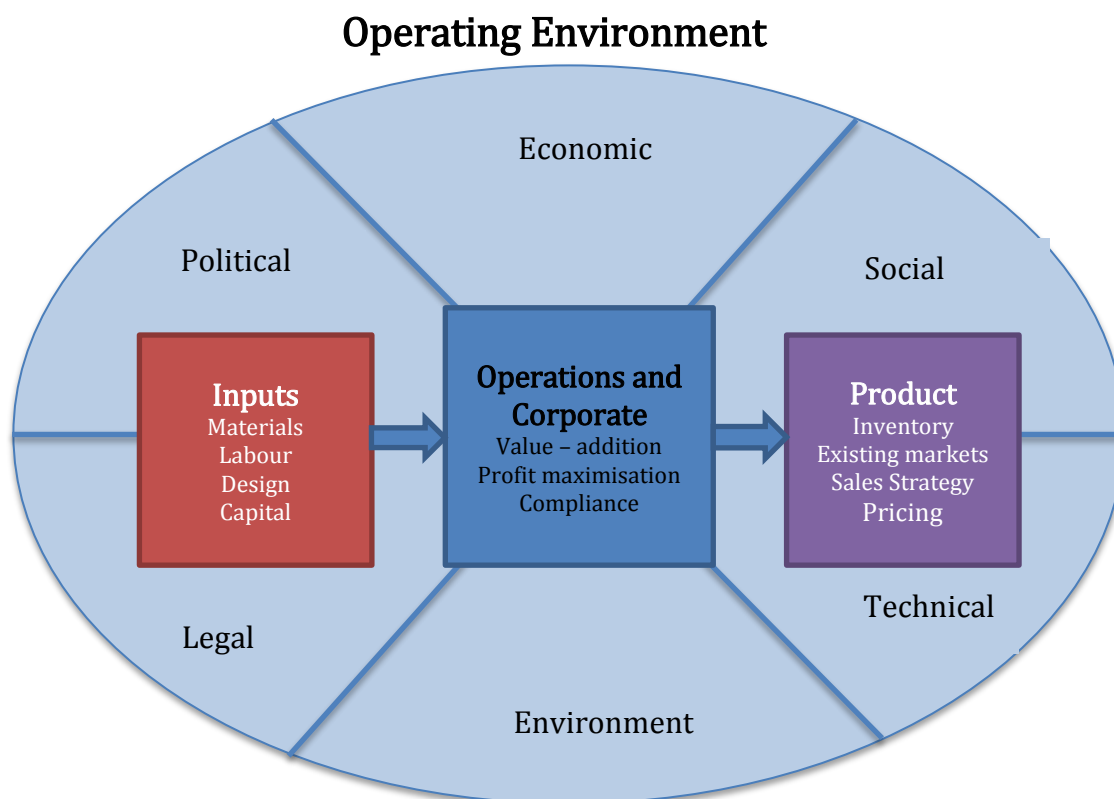


Figure 1 Key Elements of a Jewellery Business and its Operating Environment

Intrinsic elements of the business are inputs into the business, ways of managing these issues through particular operational and corporate structures and processes, and the outputs of the business, being the products and aspects around how to sell these. Extrinsic elements refer to the operating environment – the risks and opportunities a business must navigate to ensure its success. These include political factors (e.g. disruption through

conflict), economic factors (consumer groups, competition), social factors (e.g. the educational level of the labour pool), technical factors (e.g. access to appropriate technologies), legal factors (e.g. fiscal policy, ways of operating legally), and environmental factors (e.g. disruption of supply through extraordinary events). Of course the jewellery business and sector may also impact upon and change these external aspects, through lobbying, mismanagement of waste, anti-competitive behaviour and so on. These elements and relationships are not static, but dialectical and mutually constitutive, changing over time and space.

All of these domains provide scope for attention in order to improve the resilience of the Mongolian jewellery sector and individual businesses in particular. However, it was not the purpose of this study to examine this in toto. The focus of this study was on the 'Product' or market piece of the jewellery sector only, and how the other elements influence this specifically and vice versa. Issues independent of the market piece were raised during the research, but are not covered herein. If GIZ and SDC move to develop a project, then a bigger sectoral assessment using this schematic would be an important piece of project design.

Research Limitations

The fieldwork took place during a very short time period. Consequently some data is not entirely reliable or definitive and should be treated as anecdotal (e.g. data from booth owners as only one person representing this group was interviewed, and this was informal.)

The government was undergoing significant restructuring at the time of research. Officials were unclear as to the capacity in which they could talk (i.e. if their job would be secure the following week!) and so could not commit to anything on behalf of the government; jewellery sector operators were operating in a very uncertain political context. GIZ should consider carefully findings that relate to government agencies and validate these as the basis of future engagement of these stakeholders.

2. Prior Research and Key Findings

This report is developed within a context of on-going exploration into opportunities for economic development and job creation within Mongolia's gold sector. The Integrated Mineral Resources Initiative (IMRI) funded by the Federal Ministry for Economic Cooperation and Development (BMZ) and GIZ, has produced three research pieces that contextualise the challenges and opportunities to these goals.

In 2012, the Bundesanstalt für Geowissenschaften und Rohstoffe (BGR) and the Mineral Resources Agency of Mongolia (MRAM) prepared a technical report aimed at providing an overview of the value chain from mine to fine gold jewellery.⁵ A key finding was that *"the available data is too scarce and incomplete to model the value chain from mine to jewellery. Especially in the ASM subsector, too much data is missing to provide hard evidence for the net income of the ASM gold miners or the profit of intermediaries."* As a result, the report laid the foundation of what was known and what was not known: providing information on gold, regulation, and mining in Mongolia in an accessible, entry-level format.

The BGR report also gave special attention to ASM of gold and the informal economy around gold. The Mongolian government had created a framework for formalisation of ASM in 2010, yet estimates of the impact of informal ASM gold production remained significant, representing 4-7 tonnes/year (equal to, or surpassing, the total annual official production of gold).⁶ The report also raised informal markets and shadow economies as a critical consideration in the gold industry: *"it is apparent that tons of gold mined by the ASM disappear in an underground economy...The small-scale miners sell their raw gold or dore to trusted private gold buyers. They may be local shopkeepers, or they may be buyers who periodically travel to the mine sites. Apart from buying gold, they provide loans, because the ASMs are usually distant from commercial banks."*⁷

In 2014, IMRI followed this initial research by funding work prepared by Australian goldsmith Will Francis, and Mongolian researcher Zorigoo Gunsen.

Gunsen investigated the National Quality Infrastructure around gold jewellery in Mongolia and sought to revisit the value chain analysis. He found that while gold production has become an important economic activity due to high export earnings, little value is being added to the raw or refined gold domestically. Further, the exported gold jewellery *"is significantly lower in value when compared to exports of raw gold according to jewellery producers."* Gunsen reiterated that much of the gold in Mongolia continues to move through informal channels and is often available at a significant discount, meanwhile, he was unable to establish import or export statistics for gold jewellery. Additional challenges relevant to any industry intervention also include:

- Lack of capacity for formal assaying and smelting services through the MASM Assay Laboratory – this sustains and encourages informal economies
- Lagging quality infrastructure and standards, and few opportunities for third party certifications could hinder attempts to make Mongolian gold jewelry competitive in international markets

⁵ (BGR 2012)

⁶ As of December 2014, 3.5 tonnes of gold from ASM had been sold to the Central Bank that year. Changers interviewed were of the view that a larger volume had been exported illegally through the 'contraband changers'. Interview with Director General, Bank of Mongolia, 11th December 2014; focus group with three Ulanbaatar changers, 12th December 2014.

⁷ (BGR 2012)

Nevertheless, Gunsen's key opportunity for the gold jewellery industry mirrors Francis': *"there is space for improving designs, production and branding of jewellery by emphasizing the creation of collections of jewellery items that reflect the rich culture of Mongolia."*⁸

Coming from a commercially successful mastersmith, Francis' report on his fact-finding mission and pilot training programmes in Mongolia delivers a pragmatic evaluation of opportunities in the gold industry.⁹ Francis found the desire and capacity for training in goldsmithery is robust. He observes that Mongolia is unlikely to be successful competing with countries leading in production of low quality/high quantity gold products – China, India and Turkey. Instead, he recommends a "20-degree turn" wherein opportunities are explored for small jewellery factories of between 4-20 employees focused on exploiting the *"burgeoning interest in and exploration of indigenous design, traceability and story telling associated with the raw and value added product."* To this end, Francis is positive about the opportunities for investment in production of high quality and innovative gold pieces based on traditional designs: *"What the sector lacks, is practitioners with ability to initiate rather than imitate. The designer goldsmith/jeweller/art metal worker exists in tiny numbers only. There is enormous scope to introduce design principles and improve quality for all levels of current practitioners."*

Research conducted for this study finds nothing to contradict the findings of these researchers, and builds upon their work. It also draws on the author's research in Mongolia in June 2014, when she worked with Felix Hruschka, Jennifer Hinton and the SAM team to devise the fourth phase of SDC's Sustainable Artisanal Mining project.¹⁰ This research included consultations with operators from all along the supply chain, regulators, civil society organisations, donors, and jewellers.

⁸ (Gunsen 2014)

⁹ (Francis 2014)

¹⁰ The output of this work was SDC 2014 though, as a project document, it does not contain many of the findings of the researchers.

3. Operating Environment and Opportunities for Collaboration

Economic Context

Mongolia's desire to diversify its economy is best understood against its 25-year history of economic shocks. In 1991, soviet assistance and trade to Mongolia evaporated – assistance that at its height accounted for one-third of Mongolia's GDP; meanwhile, 95% of Mongolia's trade had been with the USSR.¹¹ Post-soviet economic development focused almost exclusively on exploitation and export of Mongolia's valuable mineral deposits. Mongolia's economy, traditionally dependent on agricultural and nomadic herding, experienced rapid socio-cultural shifts alongside national prioritisation of mining.¹² This erosion of diversification likewise eroded Mongolia's insulation from recession, natural disaster, and political unrest; the 1990s were largely characterised by booms and busts, recessions and growth.¹³

The 2000s were characterised by foreign direct investment, the benefits of soaring global copper and gold prices, and massive government investment in the economy. The 2008 global financial crisis hit Mongolia's raw-material export economy particularly hard: 4 years of average growth rates of 9% (2004-2008) were followed in 2009 by Mongolia's economy contracting by 1.3%. Nevertheless, GDP per capita increased from USD 460 in 2002 to USD 3,971 in 2013, and mineral products' share of total exports increased from 33% to 82%.¹⁴

Assistance from the IMF and revitalisation of foreign direct investment revived the economy to an annual growth rate of 12% by 2012,¹⁵ but not without lingering concerns. The celebrated development of the Oyu Tolgoi mine, widely considered one of the world's largest untapped deposits of copper-gold, has been plagued by on-going disputes with the foreign investor. This, and other disputes, has startled foreign investors: FDI was cut in half in 2013 and continued to decline in 2014.¹⁶

Since 2013, Mongolia's growth rate has shrunk back to 6%, where it is projected to stay through at least to 2017.¹⁷ The World Bank attributes this to "*weakening non-mineral economic activities*," noting that while the mineral sector remains robust, domestic industry is weakening. Meanwhile, in a country where 30% of the population lives below the poverty line, double-digit inflation remains a serious problem for local purchasing power.

Mongolia's trade economy is dominated by a handful of neighbours making it vulnerable to shocks. China is the recipient of 90% of Mongolia's exports and is its largest supplier of imports. Meanwhile, Russia is the primary provider for Mongolia's energy needs.

This economic context, coupled with a range of climactic and cultural push factors that have made traditional pastoral livelihoods less viable, has incentivised at least 100,000 Mongolians to do artisanal and small-scale mining, primarily of gold, coal and fluorspar, as part of their livelihood strategy since the late 1990s.¹⁸

¹¹ (Fish 1998)

¹² (Suzuki 2013)

¹³ (Huang and TsendSUREN 2012)

¹⁴ SDC 2014 and <http://www.customs.gov.mn/statistics>.

¹⁵ (WB 2015)

¹⁶ (Lee 2014)

¹⁷ 6.5% Projected for 2015 (EIU 2014)

¹⁸ SDC 2014.

Despite the prominence of the mining industry in the Mongolian economy, much of the raw material supply, manufacturing, and retailing of gold jewellery takes place in the informal 'shadow economy'.¹⁹ Informal and formally produced Mongolian gold jewellery are traditionally produced for domestic consumption, and domestic buying patterns appear to be changing. Despite discounts, the jewellery economy has suffered alongside deteriorating economic conditions. The most important consumer to Mongolia's jewellery sector – the middle-aged, middle-class woman – has less to spend. Additionally, jewellery consumption patterns have changed and consumption of Mongolian crafted jewellery is in decline, including 22kt gold jewellery consumption. As a result, factories are reportedly downsizing, laying off workers, or asking them to take unpaid leave.²⁰

Compliance

There are three domains of legality for jewellers that are relevant to this work: how to operate legally, how to procure materials legally, and how to sell jewellery legally. Further research into compliance will be necessary if a project is to be established.

Operating Legally

There is a high level of informality in jewellery manufacture, the import and export of jewellery products for retail, and the import of raw materials (e.g. silver).²¹ For example, of the 6,000 people that work in jewellery production and trading, only 180 enterprises and individual producers had obtained a Certificate of Product Mark and registered with the Assay Inspection Unit by 2014.²² The jewellery association, Tumen Erdenes, is of the view that the small part of the sector that does seek to operate formally is being undermined by competition from market players whose informal activities enable them to sell jewellery more cheaply, so capturing the consumer but providing little benefit to the State and indeed damaging the formal sector. In their policy paper they make the case that a decline in national production and increase in imported jewellery "will also cause unemployment ... (and an) outbound flow of foreign exchange."²³

The level of informality is due to a range of issues, according to Tumen Erdenes, including an excessive tax and assay burden, poor customs controls, and a "lack of legislation in our sector" worsened by laws and legislation that "have vague and non-practical provisions, and enforcement is low." The government has taken some initial steps to explore how to address this, but Tumen Erdenes is dissatisfied.

Procuring Gold Legally

The only way for Mongolian jewellers to source gold legally is to buy it from the Mongol Bank. Historically, this supply was functional but sales have not been made for many years for three reasons. First, the Mongol Bank sells at London fix + 10% + a \$3 per ounce service fee, making it uncompetitive.²⁴ Jewellers can buy direct from artisanal miners for around

¹⁹ (Gunsen 2014) The author's research in June 2014 for SAM found, in fact, that

²⁰ Nyamaa, 8th December 2014.

²¹ Interview with customs officials, 10th December 2014.

²² Tumen Erdenes, 2014. Even the larger jewellery factories do not employ more than 20 people, and there are only 25 factories or workshops, leading one to conclude that the majority of jewellery businesses operate without being registered with the Assay Inspection Unit.

²³ Tumen Erdenes, 2014.

²⁴ Interview with Director General of the Bank of Mongolia, 10th December 2014.

83% of London fix or from Ulanbaatar ‘Changers’ for close to London fix.²⁵ It is possible for them to semi-legalise this purchase by either paying the 10% income tax on behalf of the supplier (compelling them to pay a lower price) or provide the supplier with copies of documents of the sale to enable him/her to deal with the income tax office directly.²⁶

Second, it is not possible to buy small quantities from the bank, which is impractical for jewellers.²⁷

Third, all Mongolia’s gold is exported to a refiner, currently Metalor in Switzerland, in a 2-year service contract. The Mongol Bank has a rule that means Mongolian gold, once exported for refining and sale, cannot be imported back into Mongolia.²⁸ Yet there is no gold refinery operational in Mongolia. Consequently, the only gold that is accessible in-country is locally mined and concentrated.²⁹ Gold purity and thus metal quality is thus an issue for jewellers, and a key impediment to rationalisation of assay procedures (see next).

The opinion of the Mongol Bank was that Mongolian jewellers import gold illegally from China and Korea,³⁰ but our enquiries with jewellers suggest rather that they occasionally recycle scrap directly and most commonly buy from the Ulanbaatar Changers. These Changers buy from the Aimag Changers, who buy from Mongolian ASM, or else get gold from scrap (i.e. antiques, unwanted gold products).³¹

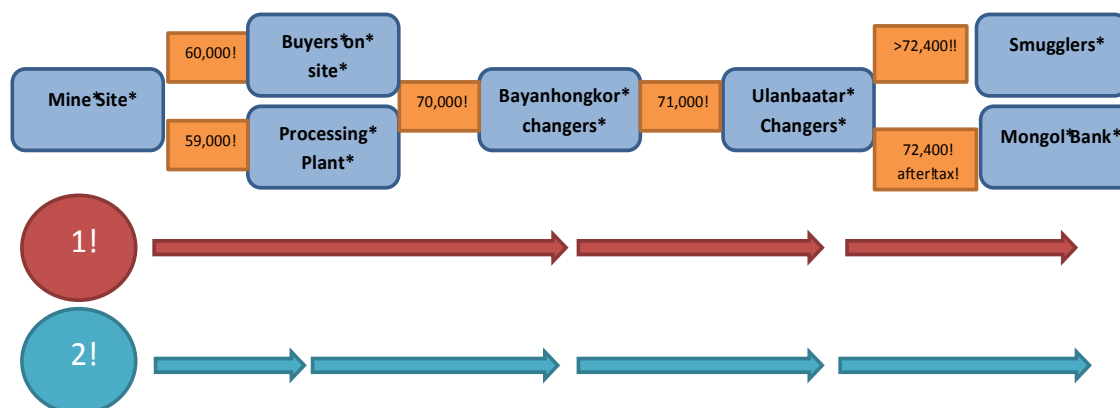


Figure 2 Supply chain showing prices paid at each trading point from the artisanal mining NGO to point of export³²

²⁵ Interviews with miners, changers, the processing plant and the Mongol Bank in June 2014.

²⁶ Focus Group with Tumen Erdenes jewelers, 11th December 2014.

²⁷ Focus Group with Tumen Erdenes jewelers, 11th December 2014.

²⁸ Interview with Director General of the Bank of Mongolia, 10th December 2014.

²⁹ Mongolian jewellers refine their own gold using the aqua regia process (nitric acid). (BGR and MRAM, 2013). Since a lot of Mongolian gold is concentrated illegally using mercury, this raises health concerns for Mongolian jewellers and potentially people living near their workshops in Ulanbaatar. Mercury emissions from gold refining should be put in perspective (though not ignored), however, given the likely emission of mercury from Ulanbaatar’s busy coal-fired power stations.

³⁰ Interview with Director General of the Bank of Mongolia, 10th December 2014.

³¹ Interviews with various ASM supply chain stakeholders, June 2014, as well as focus group with Ulanbaatar changers, 12th December 2014.

³² Based on research conducted in June 2014 for SDC.

Discussions with the Director General (DG) of the Mongol Bank for this research explored the predicament of Mongolian jewellers, who cannot buy gold legally in a way that is commercially feasible. He raised the possibility of retrieving part of the refined Mongolian gold from Switzerland to distribute it to local manufacturers.³³ This would enable Mongolian jewellers to legally access Mongolian gold, but the price and indivisibility of the gold bar is likely to remain an issue. The other option is to advocate for government to legalise gold trading by the ‘changers’, enabling them to legally buy from ASM and legally sell to jewellers as well as the Mongol Bank.

On the back of this possibility, another option discussed with the DG of the Mongol Bank was the creation of a separate refining tender for Mongolian ASM gold, which would allow either Mongolian jewellers to then buy Mongolian ASM gold from the bank (to aid story-telling) or a refiner to market its Mongolian ASM gold as ‘responsible’ to interested international buyers.³⁴ The Director General did not see a business case for doing this, at this point in time.³⁵ A development and business case could, however, be written under Outcome 2 of Phase 4 of the SAM project, if indeed a market for distinctly ASM gold from Mongolia could be nurtured.³⁶

Silver presents another set of challenges to jewellers. It is either reclaimed from scrap or illegally imported from China for a 5% premium above London fix. A future opportunity may sit with Mongolia’s Asgat Silver Mine, which is due to be reopened following the establishment of a new company by its Russian-Mongolian joint venture owners. This will be one of the biggest silver mines in the world.³⁷ The possibility of sourcing silver from Asgat in the future should be scoped: is it commercially feasible (considering refining, the mine’s existing sales deals, and other factors)? Would it be cheaper than illegally and legally imported silver? What is the extent of the opportunity for building a complete supply chain and opportunities for story-telling?

Selling jewellery legally: quality control and certification

An additional, but important issue is control on claims made on the quality of jewellery. Per Gunsen’s 2014 work, there is much room for rationalisation and improvement in quality assurance. According to the Mongolian Agency for Standardization and Metrology (MASM), a working group has been established to improve regulations for standards and metrology.³⁸ In the meantime, inferior quality assurance has market implications.

First, over 1% of jewellers’ products that go to sale are destroyed by fire assay, so affecting Mongolian jewellers’ operating costs and making it harder for them to reduce prices and be

³³ Interview with Director General of the Bank of Mongolia, 10th December 2014.

³⁴ There is a suite of luxury jewellery brands, electronics companies, and mission-based jewellers looking for options for sourcing responsible ASM gold as part of a sustainable sourcing or CSR strategy. Until more ASM become Fairmined or Fairtrade certified, there are a range of platforms for facilitating this, including the Solidaridad Gold Program, the Swiss Better Gold Initiative, the Responsible Jewellery Council and the OECD’s Responsible Business Conduct Unit.

³⁵ Interview with Director General of the Bank of Mongolia, 10th December 2014. This is something that SAM could work on as part of outcome 2 on economic strengthening of the fourth phase of its programme.

³⁶ SDC 2014.

³⁷ Voice of Mongolia 2014.

³⁸ Interview with Head of Laboratory for Precious Metals Control at MASM, 11th December 2014.

competitive.³⁹ MASM says it is compelled to use the fire assay due to the poor quality of gold used in jewellery products. Moving to European hallmarking systems is seen as more feasible if the jewellers are only sourcing gold that has been professionally refined.

Secondly, it affects consumer confidence. Once the assay is done, the jeweller is given a certificate of fineness for the products tested. Each product is then hallmarked to show the fineness. A customer can check the assay based on the hallmark and the certificate held by the jeweller. However, jewellers put pressure on the assay office to over-state fineness and although the assay office clearly operates to very high standards, a tension exists on this point.⁴⁰

Thirdly, the assay office does not certify provenance of the gold material. If such a system were to be developed to allow jewellers to make claims as to where their gold originated, e.g. recycled gold, ASM gold, or imported gold bars, it would make sense for the control on the final product to take place in the assay office as part of the overall certification process. A system could be developed in line with the traceability systems being established in areas that are conflict-affected or high-risk, for example using Sercan, GeoTraceability, MetTrak, or Mineralcare.⁴¹ Fairmined or Fairtrade chain of custody are obviously also options, where ASM organisations are part of these initiatives. This would require cooperation with ASM miners and changers to participate in a chain of custody scheme that would enable traceability. Imposition or encouragement of this type of system incentivises supply chain formalisation. Such systems bear costs, however, and a cost-benefit analysis of this proposition would be insightful from the perspective of the state (does it increase revenues), the supply chain operators (what benefits and costs do they incur), and the market (what value-add does this bring Mongolian jewellers and is it worth paying for?)

Lastly, the lack of assay facilities in the Soums is an impediment to the formalisation of gold supply to jewellers since ASM and gold buyers are not able to assay their gold which is one facet of making a sale fully legal. Sales witnessed by the author in June in Sharin Gol and Bayanhongkor used a standard purity estimate for gold from each specific mining area or the water displacement technique for estimating purity as the basis for pricing, for want of access to assay facilities.⁴² MASM rules provide scope to establish assay offices in the soums, but lack of money, concerns as to human resources and security, and the continuing issue of gold sales only being legal when made to the Mongol Bank (whose gold buying is not decentralised) all remain impediments.⁴³

³⁹ MASM seeks to assay every single piece of jewellery made in Mongolia or imported into the country. In order to do this efficiently, for each batch of 100 pieces it does a fire assay on one piece based on ISO11426 and the scratch-test on the remaining 99. Larger products, such as airag bowls are exempt from this and producers are required to take a small piece of precious metal from the cup for assay purposes. Interview with Head of Laboratory for Precious Metals Control at MASM, 11th December 2014.

⁴⁰ Interview with Head of Laboratory for Precious Metals Control at MASM, 11th December 2014; Interview with Tumen Erdenes, 8th December 2014; and Tumen Erdenes 2014.

⁴¹ ELL has done a detailed assessment on each of these systems for the Government of DRC, through the World Bank and DFID-funded 'PROMINES' project. This report is due to be published in the second quarter of 2015. Levin and Cook, forthcoming.

⁴² Interviews and focus groups with Changers in Sharin Gol, Bayanhongkor and Ulanbaatar, June 2013. See also Schein 2013.

⁴³ Interview with Head of Laboratory for Precious Metals Control at MASM, 11th December 2014.

Culture, Art and Design

Mongolia has a very rich heritage of Art and Culture, which its leading jewellers draw upon in their design work. There are products that service specific traditions or moments in the cultural calendar, e.g. airag bowls, trophies, saddles, and there is design that draws from history and culture to produce Mongolian versions of ordinary modern objects, e.g. key-rings featuring the horse fiddle or scenes of soviet utopia, belt buckles with traditional filigree patterns, and so on.

Erdeniin Goyol's director speculated that 50% of factories are led by someone with an Arts training. Mr. Enkhtavaa of the university confirmed that his metalsmith graduates are often directly taken by some of the main jewellery manufacturers: Khas Goyol, Erdeniin Goyol, Art Erdene and Art House.⁴⁴ Khas Goyol has a Design Board. It is clear that some jewellers are successfully leading with design. One jeweller that has got it right is Erdeniin Goyol. Its director, Erdenebayar, graduated from the Fine Art College in 1990, and went on to work in the restoration workshop (presumably of the government or the original jewellery corporation). Since 1995 he has been producing a vast diversity of products using precious metals and now semi-precious and precious stones: rings and ear-rings, traditional handcrafts and smithworks, utensils, silver cups and copper bowls, statues, souvenirs, large statues (memorials, relics), and stone carvings. Erdeniin Goyol seeks to differentiate itself from the competition by offering new designs, best quality manufacture, and ensuring a high aesthetic to product appearance. Erdeniin Goyol has also invested in their factory, with design being a clear quality of their building's architecture and interior design. A plush showroom welcomes prospective buyers, works of art and plants adorn the corridors, all contributing to an impression of a jewellery brand that will deliver on the luxury and aesthetic aspirations of its clientele.⁴⁵ Other workshops had not taken this approach so well.

In other cases, the outputs of the design department miss the mark, producing products of mediocre aesthetic that are old-fashioned rather than sensitively nostalgic, or comparable to the clumsy designs of the mass-imported jewellery retailing in Mungun Zavva. This may appeal to existing consumer profiles, but the opportunity in these markets is small if not nil. In the case of old-fashioned designs, these are likely to appeal to a certain category of Mongolian consumer but these consumers presently do not have a lot of disposable income; in the case of the latter, imitation of imported jewellery brings very little profit owing to the cost of the competition. As we will see in the market analysis in later chapters, and per Will Francis' work, the opportunities for Mongolian jewellers rather sit in niche or new markets, and for these new design ethics must be nurtured.

There are two directions to be taken to improve this: one is to help *artists* make their jewellery work more commercialisable; the other is to help existing *jewellery companies* introduce design innovation more strongly into product development.

For the former, there is precedent. The Arts Council of Mongolia has a goal to bring artistic excellence to the market.⁴⁶ It works to help artists be independent and self-sustained. The Arts Council held a competition in 2005-6 to select an artisan to make a jewellery line. A six month demanding process took place where Ms. Odgerel, worked with the artist, Munkhbold, to produce <30 pieces of silver jewellery that combined the ethic of the traditional and the modern. The pieces sold out, and ultimately the process "didn't lose

⁴⁴ Mr. Enkhtavaa, 12th December 2014.

⁴⁵ Interview with Erdenebayar of Erdeniin Goyol, 9th December 2014.

⁴⁶ Ms. Odgerel at Made in Mongolia roundtable, 11th December 2014.

money.” Ms. Odgerel made observations that could be instructive for any future efforts to work with Mongolian jewellers:

- There is an educational and attitudinal gap between Mongolians educated during communist times and those educated since democracy. The older Mongolians have rich professional networks and a work ethic, whereas younger Mongolians are more motivated by money, can work quickly and on time, and are responsive. In some ways younger Mongolians would be easier to work with.
- Mongolian culture is traditionally nomadic and thus results-oriented, whereas crafting is a settled culture. This can affect delivery.
- Artists are devoted to their art, and struggle with the concept of commercialisation. They are also masters of their work, and do not take easily to working with someone like Ms. Odgerel who pushes them to adjust their work to satisfy the market.

An interview with Mr. Enkhtavaa, a professor at the Mongolian University of Arts and Culture who is utterly devoted to his art and role as master smith, was extremely revealing in considering how to support mastersmith artists, and the jewellery sector more broadly, improve the aesthetic of their products:

- He described the majority of the jewellers as ‘amateur smiths’, indicating that greater training in Metalsmithery is necessary to advance product quality. In his view, the most skilled graduates from his programme need continued training, nevermind the ordinary jewellery smith.
- Study tours to Sweden for design and Germany for manufacturing techniques could advance quality. This is based on a study he has done to identify countries for bringing excellence in smithery into Mongolia.
- He achieves a high aesthetic by basing his design on traditional Mongolian filigree and combining it with contemporary trends, taking inspiration from Scandinavian design.⁴⁷ Examples of his work are in Annex 2.
- More contact with international jewellers, e.g. through participation in international exhibitions.
- The University does not invest in its Metalsmith programme beyond paying Mr. Enkhtavaa’s salary, providing the workshop, and offering accreditation for the students. It is through this that he provides all the materials for his students and gives them his time.⁴⁸ Funding for implementing these things would then need to be from a third party or the university would have to be incentivised to see the value of investing further in the Metalsmith department.

Mr. Enkhtavaa unfortunately was not interested in selling his expertise or advice in art and design to any jewellery export promotion agency or design council that might be established, stating, “*Artists don’t ever want to collaborate or promote.*” He is prepared, however, for jewellers to reach out to him directly and to direct them to his many books on jewellery and smithery.

⁴⁷ Mr. Enkhtavaa, 12th December 2014.

⁴⁸ The university keeps all the products made by the students. My Duiinkhor sells his own (notably absolutely exquisite) work, mostly to foreigners, and keep the income; some of this is jewellery. Some pieces take 5 years to make. Mr. Duinkhor is not interested in promoting his work, and simply waits for customers to come. He simply wants to “produce the best artwork.”

By contrast, the Rajiv Gandhi Polytechnic College for Production and Art would be keen to engage with any programme working with the sector. They train adults and youths in lapidary and metalsmithery, as well as other handcraft and arts production activities. Courses include a short-term, basic level course for adults over 45 days, and a one year and two and a half year course for youths which comes with a certificate of profession. There are 200 students across all three courses in any one year, half of whom do the short-term course. The majority of students (80%) are male, as metalsmithery has traditionally been done by men in Mongolian culture. The School proactively seeks to attract girls and women into these classes through promotional events at schools.

There is no jewellery training class. Presumably students learn jewellery manufacture once in employment. Over 90% of graduates from the smithery course go on to work in the profession, working for jewellery companies and as assistants to the small booth smiths in Urt Tsagaan.⁴⁹ The school's teaching relevance is thwarted by old-fashioned technologies and a lack of opportunity for students to practice modern techniques; this is a barrier to innovation and product improvement for the jewellery companies which must retrain and upskill graduates of the Gandhi College.⁵⁰ However, courses do include a focus on design, how to run a business, and commercialisation of products, and the school is working to be accredited in 2016 with 'the Colombo Plan Staff College for Technician Education ('CPSC')⁵¹, which would bring opportunity for students to have study tours in other countries which have strong jewellery traditions.⁵² This is all very encouraging and positions the Rajiv Gandhi Polytechnic College of Production and Art as a strong potential partner for any future programme.

Governance

An enabling governance framework for the sector is emerging.

The risk of Dutch Disease and over-dependence on mining for economic growth has encouraged the government to commit to diversification and investment in other sectors.⁵³ This is reflected in the creation of two new agencies, Invest Mongolia and the Mongolian National Marketing Coordination Office, and restructuring of some of the relevant functions from the Ministry of Economic Development into the Ministry of Industry in 2014. These institutions offer a huge opportunity for improving the operating environment for Mongolia's jewellery sector; there are appropriate counterparts to ensure a jewellery programme should GIZ and SDC proceed.

The former Ministry of Economic Development previously had a very small role on value-addition to minerals, but the bureaucrats consulted were of the view that the new Ministry of Industry would be more able to focus on heavy and light industries, and small and medium enterprises as discrete economic sectors. Their ideas for supporting the sector included:⁵⁴

⁴⁹ A figure of 90 professional smiths graduating every year and entering the workforce doesn't quite tally with the facts of an industry in decline, but there was not opportunity to clarify this data point.

⁵⁰ Interview with the Director of The Rajiv Gandhi Polytechnic College of Production and Art, 12th December 2014.

⁵¹ See www.cpsctech.org

⁵² Interview with the Director of The Rajiv Gandhi Polytechnic College of Production and Art, 12th December 2014.

⁵³ Interview with Invest Mongolia, 11th December 2014.

⁵⁴ Ministry Roundtable, 10th December 2014.

- Building a stronger market including promoting Mongolian jewellery to Mongolian consumers by increasing its visibility and raising awareness of the issues with competition from imports, improving jewellery design
- Introducing new products
- Managing quality and legality issues with imports
- Improving story-telling around who has mined and manufactured the jewellery product
- Learning from what has been done in the cashmere sector
- Getting the jewellery associations more active and vocal at the policy level.

They, and other ministries present at the ministry roundtable (MRAM and Ministry of Culture, Sports and Tourism) were supportive of the creation of a separate programme to achieve this vision.

The new ministries that have taken over from the Ministry of Culture, Sports and Tourism⁵⁵ could be playing an important role in promoting the jewellery sector through improving linkages with tourism (tourists as consumers, mining and jewellery as themes for discovery by tourists), sports (producing sports medals and trophies is important business to Mongolian jewellers), and culture (building the right type of Mongolian design ethic into jewellery products to appeal to diminishing, existing, and potential consumers). In December, however, its focus was largely to be upon the protection of cultural heritage in the form of antiques.⁵⁶ The reassignment of functions into three new ministries may make coordination even harder, or it may allow for greater focus.⁵⁷ Notwithstanding the great importance of this, inroads with these ministries could do much to address present gaps in the Mongolian jewellery sector that would support its development. These themes are explored later in this report.

Invest Mongolia is principally tasked with attracting foreign direct investment into non-mining sectors. It is focusing in particular on catering, agriculture, healthcare, education, and renewable energy. It is also keen to support sectors that add value to Mongolian raw materials, and will be cooperating with the cashmere industry in 2015. This provides an interesting precedent for them to cooperate with the jewellery sector. The business case for them is that promoting excellent Mongolian products and services abroad will help improve international perceptions of Mongolia as a destination for foreign capital. Potential for support from Invest Mongolia for the country's jewellery sector exists where either a.) the sector is attracting FDI to the country, for example if an international brand wished to establish a design house or jewellery manufacturing hub, or b.) supporting Mongolian FDI abroad, helping Mongolian jewellers identify contacts to enable export.⁵⁸ The latter is most likely for the Mongolian jewellery sector, since it does not have the manufacturing qualities necessary to compete with other international jewellery manufacturing destinations like India or Turkey.

⁵⁵ This has now been separated into three Ministries: Ministry of Environment, Green development, and Tourism; Ministry of Education, Science and Culture; and Ministry of Health and Sport. Patience Singo, pers. comm. to author, 18th February 2015.

⁵⁶ Yalatt G., at Ministry Roundtable, 11th December 2014.

⁵⁷ One would expect this to be particularly difficult with the Ministry of Environment, Green Development and Tourism, given the hostility of the former Ministry for Environment towards ASM in the country in recent years. Based on various interviews with ASM and Environment stakeholders in June 2014.

⁵⁸ Interview with Invest Mongolia, 11th December 2014.

The Mongolian National Marketing Coordination Office (MNMCO) is at the heart of promoting a 'Mongolia Nation Brand' abroad to enable export businesses to thrive. Its mission is, *"The management and coordination of a national programme uniting the efforts of many donors in order to achieve successful, sustainable and profitable international sales of branded goods, agricultural produce and services which promote a common image of Mongolia as a reliable, modern and sophisticated producer. To add value and effectiveness to existing and future donor projects relevant to our purpose, by facilitating interaction between them and by including them in a programme with defined marketing goals and actual selling objectives. To assist sectors with potential market opportunities to establish joint marketing boards to take advantage collectively of those opportunities and establishing credible industry brands."*⁵⁹ The Office is using the Integrated Export Marketing for Economic Development methodology to develop the Mongolia Nation Brand.⁶⁰

Stephen Kreppel of the MNMCO assesses the situation: "Mongolia is in a strange and dangerous position" as it emerges into capitalism. It does not share the qualities of the Asian Tiger nations that offer cheap labour for Western Brands to utilise to make profit, wherein the local sector develop over time thanks to investment by these companies in training, utilisation of local suppliers, and the emergence of local brands. Instead, the impact of mining on the economy is overvaluing the Tugruk making it uncompetitive in price terms for foreign jewellers to invest in Mongolia. The local impacts are likely to be mass unemployment and in-migration to Ulanbaatar, all factors that can contribute to unrest. The mode of development of a jewellery sector cannot be through FDI in manufacturing, but through the development of a series of distinctive brands that offer quality products that can sell for a premium. "The problem is how to make an impact internationally when these brands are weak, unknown, small, and face a prejudice against Asian products" which are typically viewed as cheap.⁶¹

Stephen Kreppel's vision is to "make an impact with a national brand out of a series of linked high quality, authentic export brands carrying common messages."⁶² Member brands will have to sign a charter of conduct. These brands will combine the modern with the ancient, sophistication in touch with heritage and tradition. Other products in scope are leather, meat, and alcohol.

Stephen Kreppel has been working hard to promote this vision within the government. He is advocating for investment in the arts – movies, contemporary art, pop music, military displays, dancing, the establishment of export marketing boards appropriate educational establishments, and a new hallmark that represents quality, reliability, and the achievement of the 'Made in Mongolia' standards. For the jewellery sector specifically, the Made in Mongolia roundtable identified the following activities:⁶³

- Organisation is key to enable the sector to find distribution channels together – work with the associations. However, do not try to be everything to all jewellers –

⁵⁹ Mongolia National Marketing Office (n.d.b)

⁶⁰ Mongolia National Marketing Office (n.d.a)

⁶¹ All facts in this paragraph are from Stephen Kreppel in the Made in Mongolia Roundtable, 11th December 2014.

⁶² All facts in this paragraph are from Stephen Kreppel in the Made in Mongolia Roundtable, 11th December 2014.

⁶³ Made in Mongolia Roundtable, 11th December 2014.

over 30,000 people have been trained to make felt products, but how many of these will ever be able to make a successful business of this opportunity?

- Establishment of a hallmark of relevance to the jewellery sector, that honestly signifies quality
- A combination of Mongolian calligraphers with western retail designers could create something marketable and ‘in brand’
- E-commerce may be too challenging as it requires warehousing to ensure immediate availability of product
- A workshop with relevant parties should be held to introduce the context and opportunity for profit / benefit, promote the importance of differentiation and brand-building, and brainstorm on directions.
- The identification of a charismatic and energetic person from within the jewellery sector to bring together the jewellery manufacturers within this effort.
- Establish a jewellery export marketing board with MNMCO support. Other possible entities to involve include the jewellery associations, the Manleys, the Gandhi School of Production and Arts, the Arts Council of Mongolia, Invest Mongolia, the ASM Federation, Gobi Cashmere, and other Ministries identified above (Culture and Tourism; Industry and Agriculture)

Jewellery Associations

The **Union of Mongolian Production and Service Cooperatives** supports 100 cooperatives and family-run businesses, of which 17 are jewellers. Some of these jewellers are also members of Tumen Erdenes, including one of the four largest brands and factories – Erdeniin Goyol. It has provided training to members in marketing and business planning.

Tumen Erdenes was established 8 years ago and unites businesses using employed labour. It has a relationship to the Gold Producers’ Association, but this was not yet official by December 2014.⁶⁴ Association members meet, share information on the market and technology, and have opened their own store near the Night Market. This space was granted to them by the former Ministry of Industry and Agriculture for five years at a discounted rent.⁶⁵ They also lobby the government to improve the operating environment for Mongolian jewellers, and in particular to help counter the threat posed by (illegal) imports of jewellery. Tumen Erdenes has commissioned a study into barriers to growth for the sector; its recommendations are presented in the conclusion of this report.⁶⁶ Together with the former Ministry of Industry and Agriculture, it is setting up a programme called Mongolalt to support the jewellery sector.⁶⁷ Engagement with The World Jewellery Confederation, CIBJO, could prove useful direction to this effort, by incorporating experiences from the development of other national jewellery sectors. The author has already engaged the president, Gaetano Cavalieri, who has expressed an interest in working with the Mongolian jewellery sector.⁶⁸

Both the Union of Mongolian Production and Service Cooperatives and Tumen Erdenes are members of the Union of Traders.

⁶⁴ Interview with Burentogtokh, 9th December 2014.

⁶⁵ Interview with Chairman of Tumen Erdenes, 8th December 2014.

⁶⁶ Tumen Erdenes, 2014.

⁶⁷ Focus group with Tumen Erdenes, 11th December 2014.

⁶⁸ Interview with Gaetano Cavalieri, 19th December 2014.

The Mongolian **Gold Producers Association** represents exploration, mining and refining companies operating in Mongolia. The Mongolian Gold Producers Association sees itself as representing the interests of the entire gold sector in Mongolia, including Mongolian jewellers. It is cooperating with Tumen Erdenes and has been supporting them with their lobbying of government. Artisanal miners do not have a direct relationship to the association, the ASM Federation is not a member, and nor does there appear to be the disposition to enable them to become a member.⁶⁹

⁶⁹ Interview with Burentogtokh, 9th December 2014.

4. The Jewellery Sector

The first jewellery corporation was established in Mongolia in 1986.⁷⁰ Jewellery cooperatives began to establish in the 1990s falling the beginnings of transition. Many of the main jewellery brands were born at this time.

Today, there are about 1 million active consumers of jewellery in Mongolia, according to research conducted by Tumen Erdenes. These are serviced by around 25 active factories, over 100 active goldsmiths and an unknown number of silversmiths.⁷¹ The four biggest factories currently are Khas Goyol, Erdeniin Goyol, Erdeniin Dul and Altan Mungun Khonkh. According to Tumen Erdenes, these differ from other factories because they produce more jewellery, are more profitable, own their factory spaces, are more experienced, and are estimated to occupy 30-40% of the 10% market share owned by Mongolian producers⁷² One building, Urt Tsagaan, hosts a large number of smiths and retailers.

90% of jewellery production takes place in Ulanbaatar; jewellery produced in rural areas tends to be items that are easier to make like silver earrings or gold rings, made to order for individuals.⁷³ Regions with famous silversmith traditions include Sukhbaatar in the East of Mongolia, Khenti in the Northeast, Arkhangai in the centre, and Khovd in the West.⁷⁴

80% of the Mongolian jewellery market is in Ulaanbaatar, where, based on Tumen Erdenes' estimates, approximately 90 billion Tughrik (US\$46.4 million) worth of jewellery is sold through 1250 retailers, most of which are clustered in two main retail centres: 'Store Number One' and Mungun Zavva. The State Department Store hosts 40-60 booths. This is an average turnover of 72 million Tughrik (US \$37,150) per retailer.⁷⁵ 90% of gold jewellery by value is imported, much of it illegally meaning also that there is no check on quality, claims on provenance or metal content, or other aspects of legal compliance.

Other major jewellery retail markets are in Darkhan and Erdenet⁷⁶. The author was not able to investigate these markets, or other markets outside of Ulanbaatar. Tumen Erdenes was of the view that the type of jewellery sold is equivalent to Ulanbaatar.

The Mongolian Jewellery Sector Is Under Threat

The consumption of Mongolian-manufactured jewellery is contracting and all existing markets for this jewellery in Mongolia are seemingly saturated. Between 1990 and 2008, Mongolian companies dominated 60-70% of the market share; by 2012 this share had fallen to 5-10%.⁷⁷ The sales price of jewellery is nominally almost the same today as it was in the 2000s, but has decreased by 50% in terms of purchasing power parity.⁷⁸ This situation is pushing the jewellery manufacturing sector into decline. Jewellers are struggling to keep apace of changing consumer tastes. Manufacturers cannot compete on price with cheap

⁷⁰ Interview with Director, Erdeniin Goyol Go., Ltd.

⁷¹ There are about 200 individuals and factories registered with the state. Interview with Chairman of Tumen Erdenes, 8th December 2014.

⁷² Chairman of Tumen Erdenes, 8th December 2014.

⁷³ Chairman of Tumen Erdenes, 8th December 2014.

⁷⁴ President of Union of Mongolian Production and Service Cooperatives, 9th December 2014.

⁷⁵ Tumen Erdenes, 2014.

⁷⁶ It is not clear if this is for retail or production or both.

⁷⁷ Tumen Erdenes, 2014.

⁷⁸ Interview with Chairman of Tumen Erdenes, 8th December 2014

imports who price at gold value plus 10% for operational costs and margin, excluding taxes.⁷⁹ Factories are downsizing; the manufacturing sector is under threat.

While jewellery manufacturing has declined since 2008, with Mongolian jewellers having halved their turnover, overall consumption in the sector has increased.⁸⁰ Tumen Erdenes sees the sector to have quadrupled since the transition to a market economy.⁸¹

Year	Number of Jewellery Retailers in Ulaanbaatar	% of 2014 levels
2000	300	24%
2006	650	52%
2008	1105	88%
2010	805	64%
2014	1250	100%

However, the retail sector is not immune from the crisis. Economic uncertainty and a weakening Tugruk is also affecting imported jewellery retailers. Small booths are also closing up. According to one woman interviewed, “this year is worse. There are less people coming and a smaller proportion of them are buying.”⁸²

Tumen Erdenes’ strategy to respond to this contraction has been to try to imitate the imported fashion jewellery that is selling, but they cannot compete on price.

One jeweller summed up the issue, “people like imported jewellery because of the new designs; not traditional designs. But this is poor quality, cheap material, large surfaces, small gold content all because the customer wants a cheaper price. Local jewellers prefer to have a higher content of material for better quality and long-lasting quality products.”⁸³

The approach pushed by Will Francis to focus efforts on solutions other than head-on competition with the imported jewellery. To that end, a consideration of the jewellery sector’s existing strengths, and some imagination as to how to build upon these could provide directions that lead the sector to a more resilient future derived from innovation based on intrinsic qualities rather than imitation. In business speak, this is called blue ocean strategy.

⁷⁹ Focus group with Tumen Erdenes jewelers, 11th December 2014.

⁸⁰ Interview with Chairman of Tumen Erdenes, 8th December 2014.

⁸¹ Tumen Erdenes, 2014.

⁸² Woman booth owner, 8th December 2014.

⁸³ Interview with Nyamdorj, 9th December 2014.

Typology of jewellery businesses

Will Francis identified four types of jewellery manufacturer in Mongolia.

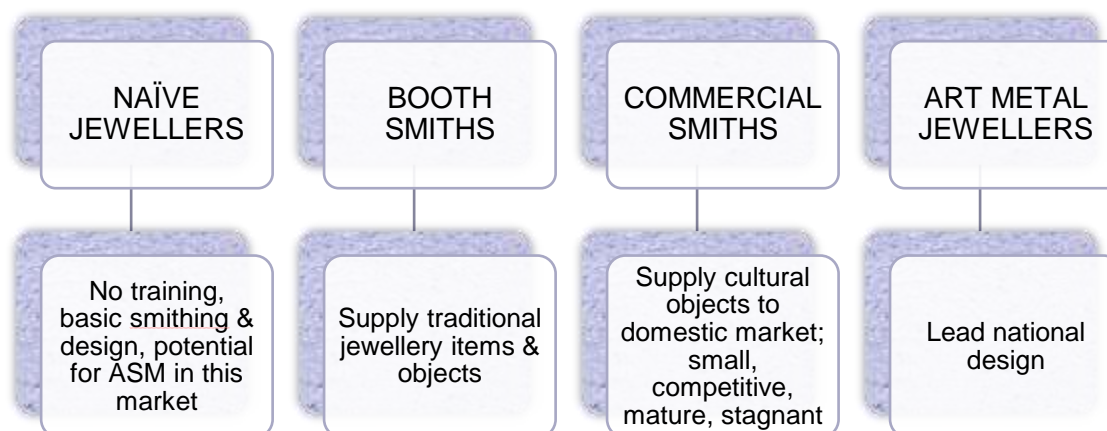


Figure 3 Mongolia's Four Main Type of Jewellery Manufacturers

These categories are of course more diverse in terms of markets they target, products they make, and price point. For example, some commercial smiths are diversifying into low-, mid-, or high-range fashion jewellery (e.g. Nyamdorj, Erdeniin Goyol), and one commercial smith focuses on handmade top quality traditional items only (e.g. Altan Mungun Khonkh LLC).

In terms of potential for intervention, ASM would most likely become naïve jewellers unless they or family members came to study with a master smith or at the Gandhi School of Production and Arts, which would give them access to the booth smith and commercial smith category.

The potential markets identified in this study (see below) would most likely be accessed by Art Metal Jewellers and Commercial Smiths. Support to booth smiths to develop into commercial smiths could enable them to access to markets also.

Poor Technology is an Impediment to Innovation and Growth

There is an overcapacity of technology and a lack of the right technology which is an impediment to innovation and creating affordable, high quality products. There are about 100 jewellery workshops and factories in Ulanbaatar, each of which has a broad range of often old-fashioned machines, and many of these are used only occasionally.⁸⁴ The Gandhi School of Production and Arts is also using out-dated technology. Technology-pooling could be an option for improving efficiencies and business performance. This is keenly sought after by Nyamdorj, the former chairman of Tumen Erdenes, and raised as part of the 'Integrated Complex of Art and Industry for Craftsmen' the association is envisaging developing.⁸⁵

⁸⁴ Interview with Nyamdorj, 9th December 2014.

⁸⁵ Tumen Erdenes, 2014.

Solidarity and Competition amongst Mongolian Jewellers

There is a great deal of solidarity amongst Mongolian jewellers. Competition is not something they naturally embrace and there is respect for others' market territory; it would not be typical for a Mongolian jeweller to 'take on' another by developing a competing product. Instead, each jewellery factory has evolved to occupy a certain part of the market: if you want handmade gold cups, you go to this Altan Mungun Khonk (the only jeweller to do these); if you want medals, ornaments, and products reminiscent of Communist times, go to Khas Goyl; if you want high-end jewellery or ornaments with a focus on design, go to Erdeniin Goyol. This means that there is a huge diversity of products in the Mongolian jewellery market, and a degree to which each factory has established a brand.

On the other hand, domestic Mongolians will tend to have a family jeweller, or go to someone recommended to them. However, if the customer goes to a jeweller who cannot service their request, the jewellers will learn what s/he wants and send him/her to the 'right' jeweller. This is not so unusual, when one looks at traditions in jewellery markets around the world.

5. Product Inventory

Annex Two provides greater details of the following inventory of product categories including photographs of example products, some prices, gold and silver content, and so on.

Product
Modern Jewellery
Rings
Ear-rings
Pendants
Traditional items: Tableware
Cutlery
Embellished ladles
Airag bowls in multiple sizes (e.g. one company does from size 3 to 12, where 12 would be a very large bowl)
Eating sets (flint, chopsticks, knife)
Candlesticks
Tea pots
Cups
Traditional items: Cooking
Cauldrons
Fire stands
Soup Ladles
Traditional items: Jewellery
Tiara and decorative traditional metalware for ornamentation of hair
Ear-rings
Silver belts
Belt buckles
Traditional items: Weapons
Swords
Guns
Saddles
Bows
Traditional items: Ornaments
Statuettes of religious items
Laissez-passer
Statues of animals, warriors, caravans
Chess boards
Trophies and Awards
Sporting Events trophies
Competitive events, e.g. Herder of the year in every soum
Medals
Paraphernalia
Key rings
Wolf teeth
Platinum cups for chemical labs
Wall hangings

6. Domestic Markets

Mongolian jewellers depend upon domestic markets. Their product design and manufacturing cycle is almost entirely determined by the preferences of domestic consumers, and the sales cycle is primarily influenced by the cultural calendar.

Table 1 The Cultural Calendar and Product Sales

Date	Event	Typical jewellery purchases
February	Tsagaan sar Valentine's Day (14 th)	Jewellery All types of gold and silver products for tsagaan sar
March	Women's Day (8 th)	February and March are the high season because of these 3 celebrations. For example: Erdenehuu's 14k and 24k gold earrings and rings sold very well. Silver jewellery also sells well during this season but few local companies produce silver jewellery.
April-July	(low season)	
July	Naadam	Horse-related paraphernalia, e.g. Saddles, airag bowls, whips
End August to beginning of October	Wedding Season Sum and Aimag's anniversaries	Silver bowls Medallions
October - November	(low season)	
December	New Year	Jewellery – but cheap Chinese jewellery Medallions Statues
January – February (Varies) February 19 – 21 2015	Tsagaan Tsar – Lunar New Year	Bowls Jewellery All types of Jewellery with traditional Mongolian patterns <i>This is the most important event in the cultural calendar for jewellers</i>
Year-round	On a child's 3 rd birthday	Airag bowls

Existing Customers

The Mongolian consumer is less interested in buying gold than during Communist times. This may be due to people's tastes changing (a desire for 'fast fashion' jewellery) or as a result of the climbing gold price since 2005, which has contributed to gold products being ten times more expensive than the equivalent in silver in 2014.⁸⁶ This enormous price differential has already been softened by gold having dropped 33% in two years. This has led to consumers moving back towards gold jewellery in other markets in 2013 and 2014;⁸⁷ could this be an opportunity for Mongolia also?

There are three types of existing customers – the 'ordinary Mongolian', the State, and Religious Institutions. Across all three consumer types, art and bespoke commissions are particular types of purchase that require separate mention.

⁸⁶ Nyamaa, 8th December 2014.

⁸⁷ Heebner 2015

Table 2 Existing and Potential Consumers and Distribution Channels in the Domestic Market

Distribution Channel	EXISTING				POTENTIAL		
	Exhibitions in UB	Factory / workbench shop	Factory Retail Shop	Jewellery Booth in a Retail Space	Hotel Lobbies	Mary and Martha	Museums
Consumer							
The State		✓					
Religious Institutions		✓					
The 'Ordinary Mongolian'	✓	✓	✓	✓		✓	
Fashion Shoppers				✓		✓	
Art and Bespoke Commissions		✓				✓	✓
Diaspora and Ethnic Mongols from Russia & China	?	?	✓	✓	✓	✓	✓
Asian Tourists	?	?			✓	?	✓
Western tourists	?			✓	✓	✓	✓
Expat Residents	?	?	?	✓		✓	?

This framework could be used with jewellers to more accurately chart who buys from where.

The 'Ordinary Mongolian'

The most important consumer for Mongolian jewellers is the middle-income, middle-aged woman who buys products from booth retailers or factory shops from across the product ranges either for herself or gifts for others. This is the same for the most prestigious jewellery brand and the most basic booth retailing Korean imported jewellery.⁸⁸ The other categories of consumer mentioned by jewellers are girls, young women, and men who buy for their wives. Jewellery customers can be anything from urban office-workers seeking an airag bowl present for a family member or a piece of jewellery for themselves, to rural herders wanting to repair or upgrade a snuff bottle, airag bowl, belt, or saddle. More work needs to be done to categorise different types of 'Ordinary Mongolian' consumer, e.g. through a market survey.

This market is saturated and competition is intense. The 'ordinary Mongolian' comes to upgrade existing purchases (e.g. Airag bowls, belts) or to purchase gifts in line with the cultural calendar.⁸⁹

The State

The State is a vital customer for large commissions of trophies, awards, medals, and occasionally unique art pieces and ornaments. One jeweller noted that his annual commission to make several hundred trophy statues for the best herder in each soum

⁸⁸ Interview with Director, Erdeniin Goyol, 9th December 2014 and booth owner, 8th Decemember 2014.

⁸⁹ Uyamaa, 8th December 2014.

provides him with a very large amount of money, upon which he relies to cover costs. Another artist, who occasionally works in jewellery, has used his art and smith skills to produce unique pieces for the president, such as a firestand for his ger amongst other pieces. Awards are also given for the best herdsman, the best argo, and commemorative gifts from the President (as pictured below in figures 4 and 5)



Figure 4: Award for Best Herdsman



Figure 5: President's Gift Commemorating Population of 3 Million

Religious Institutions

Religious institutions commission Mongolian jewellers to make artefacts, such as Buddhas. It was not possible to ascertain the size of this market. Consultations with religious leaders could give a view on this in the market survey.

Art and Bespoke Commissions

Most smiths take commissions for bespoke pieces. However, it is the Art Metal Jewellers who in particular work on a commissions basis. Commercial smiths design their own product ranges which are retailed through their factories and related shops, and occasionally booth retailers. Booth smiths may take commissions, but working off others' designs. It was not possible to ascertain the type of consumer that commissions jewellery works of art.

Potential Customers

Most potential customers in domestic markets in Mongolia come from foreign visitors spending money whilst in country. These people rarely buy Mongolian jewellery because either they do not know about it, they know but do not come into contact with it, or the aesthetic or price does not appeal to them.

505,000 'foreign passengers entered Mongolia in 2014.⁹⁰ Half of these were from China and only 21.7% were female. The number of tourists was 392,000 in 2014, down from 475,000 in 2012.⁹¹ Forecasts put the total for tourists to 696,000 by 2024, generating an expenditure of MNT891.2 bn.⁹² 40% of tourists are from China, 19% from Russia, 12% from Korea, 9% from Europe and 6% from North America, Australia and New Zealand (see Table 3). In its 2012 report, UNCTAD adjusted these figures by 40% to account for border traders, construction workers and other labourers from China and Russia who were using tourist visas to gain

⁹⁰ National Statistics Office 2014 <http://www.1212.mn/statHtml/statHtml.do>

⁹¹ National Statistics Office 2014.

⁹² WTTC 2014.

entry for local employment.⁹³ It also considered 73% (244,000) to be business travellers and 27% (90,000) to be leisure travellers.⁹⁴

UNCTAD estimates that business and leisure tourists spend \$198 and \$197 (respectively) on 'other spending', i.e. not accommodation, restaurants, tourism activities or transport.⁹⁵ Presuming figures remain constant, tourists spent \$66 million on discretionary items in 2014 and by 2026 this will be \$83m.

This information puts in context the following sub-sectors. The overall pool of available money is not huge, but the proportional impact of capturing some of this market could be massive. The value of jewellery sold in Mongolia is presently about \$58m.⁹⁶ Of this 80% is based on imports, making the value of domestic production around \$11.6m. If Mongolian jewellers could capture 10% of the money business and leisure tourists presently spend on discretionary items (\$6.6m) they would see a growth in their domestic market of 57%.

Given that the potential sits on purchases made in-country that will then need to be exported, buyers must have confidence that they can export their goods without difficulty.

⁹³ UNCTAD 2012.

⁹⁴ UNCTAD 2012; Jacob 2012.

⁹⁵ UNCTAD 2012.

⁹⁶ Based on 80% of market being in UB and \$46.4m of jewellery sold in UB. Tumen Erdenes 2014.

Table 3 Visitors Into Mongolia from around the World⁹⁷

Country	2002	2006	2007	2008	2009	2010	2011	2012	2013	2014	2014 % of total
Total	228,719	404,480	451,788	446,393	411,664	456,090	460,360	475,892	417,815	392,844	100 %
PR of China	89,041	162,858	211,007	196,832	181,523	193,730	200,010	228,547	178,326	157,561	40.1%
Russian Fed.	69,778	82,214	98,759	109,922	107,911	121,647	102,738	83,707	74,468	73,055	18.6%
Rep. of Korea	14,474	55,523	43,930	43,396	38,272	42,231	43,994	44,360	45,178	45,476	11.6%
Europe	19,398	36,980	34,357	33,731	30,101	33,743	35,139	35,180	34,657	33,247	8.5%
N. America & Antipodes	10,169	18,514	20,108	20,513	18,021	21,997	26,650	26,869	24,997	22,119	5.6%
Japan	13,262	19,971	17,238	14,939	11,399	14,140	14,988	17,119	18,178	18,282	4.7%
Other	7,205	16,285	15,683	15,835	13,991	15,426	18,490	17,714	18,627	17,753	4.5%
Kazakhstan	1,820	3,949	4,882	5,473	5,053	5,757	7,973	10,523	11,422	13,562	3.5%
Taiwan	589	1,476	1,280	1,404	1,086	1,235	1,864	2,288	2,005	2,404	0.6%
Turkey	342	517	436	578	498	1,157	851	1,676	2,720	2,306	0.6%
Hong Kong	366	584	434	369	434	791	1,878	1,888	1,729	1,927	0.5%
Singapore	729	860	995	932	922	1,164	1,798	1,982	1,772	1,593	0.4%
India	340	688	777	881	941	940	1,478	1,340	1,519	1,307	0.3%
Ukraine	879	968	1,205	960	967	818	1,009	1,080	1,186	1,279	0.3%
DPR Korea	239	2,889	378	402	342	1,068	1,072	1,012	627	597	0.2%
Indonesia	88	204	319	226	203	246	428	607	404	376	0.1%

⁹⁷ National Statistics Office 2014.

Mongolians from Neighbouring Countries and Further Abroad

A very large proportion of visitors to Mongolia are Chinese and Russian but, as noted above, many of these are labourers who presumably do not have a lot of disposable income. Nonetheless, members of the Mongolian diaspora or ethnic Mongols from neighbouring countries are important customers to the larger factories. Altan Mungun Khonkh, a high-end jeweller, noted that “Mongolian women with foreign husbands” provide the majority of their sales, including those not based in Russia and China.⁹⁸ For Erdeniin Goyol, Russian tourists from the Buryat Republic come and buy.⁹⁹

These potential customers are likely to be happy with existing product ranges; better product placement would help sales (i.e. new distribution channels – see below).

Asian Tourists

Conversations with interviewees suggests that Asian tourists are more likely to come to Mongolia for business than leisure, but this needs to be verified. Interviewees agreed that Chinese customers are very important to retail venues like the State Department Store, and Asians come to Mongolia to get luxury items (e.g. watches, electronics) as they perceive a higher value for money in Mongolia.

Asian tourist statistics will also include Caucasians from Hong Kong who may have the buying tastes of Western tourists.

These potential customers are likely to be happy with existing product ranges; better product placement would help sales (i.e. new distribution channels – see below).

‘Western’ Tourists

Whilst there is some confusion in the type of a tourist being targeted, Mongolia’s tourism sector has a strong positioning as a destination for eco-tourists and adventure tourists seeking to experience ‘wilderness’ and ‘authentic’ indigenous ways of life.¹⁰⁰ European, North American and the Antipodean tourists in particular seek this type of holiday, though East Asians also form this market. The actual market for these types of leisure tourist is estimated to be 90,000-150,000.¹⁰¹ This marries well with the creation of jewellery products that could draw on Mongolian ethics, values and customs – for example: nature, tradition, nomadism, music, livestock, sport, Buddhism, calligraphy, and so on.

Other ‘western’ tourists include business people travelling to Mongolia for short-term assignments. Obviously, the author would put herself in this category.

There are around 400 registered tourist companies in Mongolia, according to Helge Reitz, director of Nomads Tours and Expeditions, which is a medium-scale operator offering mid-high end tourist expedition holidays. Of these 400 operators, 2 or 3 are large, 20-25 are medium, and the rest are small. If western tourists are considered a desirable target market, further research with these operators would be merited. There is differentiation between these tourism operators, based on tourist budget.

⁹⁸ Uyamaa, 8th December 2014.

⁹⁹ Interview with Director, Erdeniin Goyol, 9th December 2014.

¹⁰⁰ The UNCTAD 2012 report says, “The leisure tourism sector’s largest policy challenge is its lack of a clear sector strategy; a low- volume, high-end niche market approach seems a natural choice for leisure tourism.” p. 14.

¹⁰¹ Jacobs, 2012; Interview with Helge

Table 4: Key features of ‘western’ tourists that determine market potential, and what to do about them¹⁰²

Feature	Response
Suspicious of being “ripped off”: if I were local, would I get it more cheaply? Am I really getting what I’ve paid for?	<p>Transparency and competition will build trust; avoid captive market situations.</p> <p>Build relationships with jewellers or sector representatives</p> <p>Develop / improve independent assurance mechanisms, e.g. a certificate assuring gold content and value. Use recognisable assurance systems, e.g. Fairmined, Fairtrade.</p> <p>Have people that speak English or other European languages and can engage in ways that are culturally familiar to the tourists.</p> <p>Status of retailer matters – the brand behind them, the standing of the artist / designer and their portfolio of clients can help for certain market segments.</p>
Western tourists do not know that Mongolian jewellery is a worthwhile product	<p>Include visits to jewellery manufacturers as part of tourist trips, potentially.</p>
ASM have an image problem with tourists since they damage the environment and have negative social impacts (in tourists’ eyes).	<p>Includes visits to the more responsible ASM communities as part of tourist trips.</p> <p>Include positive story-telling around ASM.</p> <p>Involve local ASM in tourist entertainment, e.g. singing, wrestling and riding contests.</p> <p>Get jewellers to use Fairmined gold from Mongolia and to market it appropriately.</p> <p>Build marketing devices for Mongolian gold generally, e.g. a small booklet available in two or three major languages that shows where the gold comes from, how it is produced, what ASM has done for rural families and economies in Mongolia and especially for nomadic people. Be honest about the challenges also, but show the endeavours at finding solutions. Communicate the power of the purchase to the tourist, i.e. how much of the jewellery product will go to rural families in Mongolia (use an average of the end value) so they can see how their investment helps the country.</p> <p>This turns the ASM problem into a value-adding opportunity for the jewellery product.</p>
Complete supply chain products would be particularly appealing (designed, mined and manufactured per the ‘Made in Mongolia’ brand, for example)	<p>Story-telling, as above, and branding are important here.</p>
Likely to be able to sell jewellery products at prices that would be competitive to what people can buy in their home markets	<p>Market research for compatible products in home markets to identify the value-add of Mongolian jewellery that justify the selling price.</p>
‘Western’ tourists are less likely to buy presents of value for others from Mongolia; they are more likely to buy something of value for themselves if they have particularly fallen in love with Mongolia.	<p>Develop jewellery products that bridge European and Mongolian culture – less ‘ethnic’ and more ‘Mongolian influenced’ design ethics. There are some designs that are cross-cultural, e.g. ancient Greek and Mongolian designs have similarities.</p>
They typically purchase felt shoes and cashmere products.	<p>Position jewellery products in places that sell these items, but ensure alignment between brand, quality, design and price point.</p>
The imported fashion jewellery that appeals to the domestic market is less likely to appeal to western tourists.	<p>Get the right products in front of western tourists.</p>

Table 5 is an initial list of things to consider to incentivise western tourists to buy Mongolian jewellery.

¹⁰² Interview with Helge Reitz, 9th December 2015.

Table 5 Features necessary for building a Tourist Market for Mongolian Jewellery

Feature	Meaning...
Transparency	Provenance and identity: <ul style="list-style-type: none"> • Who mined the material and where? • Who manufactured the material and where? • Whose hands have formed this jewellery?
Competition	Is this jewellery sold in such a way that the buyer has confidence that the price is fair? Does the buyer feel they are getting value for money?
Story-telling & relevance	What makes this jewellery unique in terms of the people whose labour have created it, the places it has journeyed through, the benefits it has brought people, the heritage or culture it maintains or enables? What story does it tell about Mongolia, past and future? What story does it tell of qualities tourist consumers look for in Mongolian souvenirs, e.g. nomadism, wilderness, pastoralism, cultural emblems, soviet legacy, modern nation, rural life, etc.? Is that story in the materials, the design, the manufacture, or the retail? What is the personal piece of each of these points of transformation that will appeal to the consumer? What will make it possible for the consumer to relate to the story the jewellery tells? (Or how can the jewellery represent a story or feature that has meaning for the tourist?)
Assurance	Accreditation of a.) jewellery quality (material content, authenticity of materials) and b.) ethical quality (the story is true).
Access	How will the tourist come into contact with the jewellery?

These potential customers therefore offer minimal opportunity for existing product ranges; new products will need to be developed, and better distribution is essential. The type of products of likely interest to this market are Mongolian-designed and made pendants and ear-rings, such as those designed by Jamiyansuren for the author. (See figures 4–7 below). They may also be interested in traditional jewellery souvenirs, like snuff bottles, airag bowls, key-rings, and wolves’ teeth (noting potential environmental issues when buying wild animal parts). Market research would enable jewellers to understand how to market these products to this segment.



Figure 5 'Superwoman' pendant in gold plate, made by artist Jamiyansuren for the author. 110,000 Tugruk



Figure 6 'Felicity' pendant in silver, made by the artist Jamiyansuren for the author, 80,000 Tugruk.



Figure 7: 'I'm not bothered' pendant in silver with leather, made for the author by Jamiyansuren, 150,000 Tugruk

Business relationships could be established with the outdoor adventure and eco-tourist companies to raise awareness of the Mongolian jewellery and ASM sectors, and create a market for Mongolian jewellery products made with Mongolian ASM gold, provided explanation as to what makes Mongolian artisanal miners contributors to the nation and how they are managing environmental risks is appropriately explained.

Expats Resident in Mongolia

This market shares much the same features as western tourists, and is likely to have interest in the types of products and retail strategies suggested above either for purchases for themselves or as gifts for people in their home countries.

Additionally, expats are more likely than other 'western tourists' to purchase expensive quality items and/or something that is more traditionally Mongolian, including the larger ornaments made by Mongolian jewellers and works of Art, such as those produced by students, graduates and the professors from the Mongolian University of Arts and Culture or from

the Gandhi School for Production and Arts.

This potential customer segment is likely to be partially satisfied by existing product ranges though better product placement would help sales (i.e. new distribution channels). However, the most potential sits in the development of new product ranges per those to pitch to the tourist market, as well as emphasis on the more artistic, design- and quality-focused product ranges.

Existing Distribution Channels

Existing distribution channels for the domestic market are largely through four spaces: exhibitions, the factory or goldsmith's booth, a factory's dedicated retail shop, or a jewellery booth in a retail space.

- There are about ten exhibitions per year in Ulanbaatar. The biggest is before the Lunar New Year. These are important occasions for selling jewellery.
- The major jewellery brands like Khas Goyol or Erdeniin Goyol make sales through their factory (especially commissions) and their dedicated retail shops in 'Store Number One' and Mungun Zavva.
- Booth smiths sell from their booths.

Jewellery Kiosk in a Retail Space

The most important space for retailing jewellery are the 1250 kiosks (booths) in Ulanbaatar¹⁰³, clustered in two main areas - around the site of the former jewellery factory (Zoog Goyol) during Communist times (next to the former 'Store Number One'), where 40-50 kiosks can be found as well as some factory stores, and another on Peace Avenue called Mungun Zavva, which hosts around 200 kiosks. The State Department Store, also on Peace Avenue, hosts about 50 kiosks, and the Max Mall also hosts the shop of a jewellery manufacturer. Also at the Sky Department Store booths for manufacturers and retailers were installed recently.

These retailers predominantly service the fast fashion consumer (middle age, middle income women), the 'ordinary Mongolian' seeking off-the-shelf traditional products, and the occasional leisure or business tourist who comes in off the street as they explore the central districts in Ulanbaatar to purchase a souvenir. The majority of booths sell fashion jewellery or cheap, traditional items such as snuff bottles, airag bowls and wolves' teeth embellished with silver. Volume of sales per day in Ulanbaatar ranges between 300 million and 500 million Tugruk (USD150m-250m).¹⁰⁴ The retail sector keeps 30% of this figure to cover all costs and margin, and sells on consignment.¹⁰⁵

Each kiosk sells between 200 and 300 individual items, and may mix Mongolian with imported products. Turnover is rapid, with each booth selling up to 20% of stock each day.¹⁰⁶

Competition between these sellers is fierce, expressed more through price wars rather than product differentiation. At the biggest retail space, Mungun Zavva, some booths were selling identical products and the style of the jewellery on sale was rather homogenous for a majority of booths. Goods for sale came from Korea, Turkey, China, India, and Vietnam.

The stalls surveyed were almost all fronted by women, who ran them as small businesses and worked 12 hours a day, every day, leaving children with family members.¹⁰⁷

Some kiosk owners may be interested in specialising in or including new product ranges for targeting these new customer segments, and this should be scoped as part of the market survey. Investigations into whether these booth retailers are organised into an association should also be made.

Potential Distribution Channels

Mary and Martha¹⁰⁸

Mary and Martha is a shop that specialises in retailing Mongolian souvenirs to tourists. It is located very centrally and has been running for seven years.

Mary and Martha has plans for expansion. It is attempting to add five new product ranges to its inventory, and is considering jewellery and other metal products. It is considering opening new retail spaces in duty free at the airport and at the Shangri-La hotel, for example. It is seeking to build its export business and is presently attempting to establish an Internet retail site and is considering a distributor in the UK.

¹⁰³ Interview with Tumen Erdenes, 8th December 2014.

¹⁰⁴ Focus Group with Tumen Erdenes, 11th December 2014.

¹⁰⁵ Focus Group with Tumen Erdenes, 11th December 2014.

¹⁰⁶ Focus Group with Tumen Erdenes, 11th December 2014.

¹⁰⁷ Informal conversation with a booth owner, 12th December 2014.

¹⁰⁸ Interview with Bill Manley, 9th December 2014.

Mary and Martha already receives enquiries from tourists wanting silver jewellery that has people's names in Mongolian script or is somehow reminiscent of Mongolia. They have not yet invested in trialling Mongolian jewellery products in their stores. They believe there would be market for gold jewellery, but that the consumers might not understand the cost. They are keen to work with Mongolian semi-precious stones too.

Mary and Martha is an attractive distribution option for accessing foreign buyers for Mongolian jewellers. First, it is owned by a British couple who understand how to sell to 'western tourists' in particular. They work as a commercial partner to manufacturers, helping them achieve the quality and design expectations of the market which they come to know well from their experience on the shop-floor. Second, their business model offers superior commercial terms than other distributors, since they operate according to fair trade principles. For example, where the goods are sold on consignment through other distributors, who then take 35% of value having taken no risk and given no input into production, Mary and Martha pay 50% upfront for all products. This gives them a stronger reason to sell quickly, which works to the advantage of both manufacturer and distributor. Mary and Martha must, however, retail at double the product cost to cover their overheads and achieve a small profit of 10-15%. Third, Mary and Martha give manufacturers interest free loans, and have credit lines to suppliers of towards \$100,000 in the first half of 2015; Mary and Martha absorb this cost as part of their own business model. For their business to succeed, it is important that their suppliers appreciate the risks Mary and Martha absorb on their behalf, and that the business relationship is based on the principle of "mutual giving".

At present Mary and Martha's market is 10% export, 40% tourists in Mongolia, 40% expats in Mongolia, and 10% Mongolian consumers. They therefore provide an interface to a range of different types of potential jewellery customer, vis-à-vis the consumer typology set out above. They have some experience of working with jewellery through their daughter, who runs a side-business taking designs from customers of her restaurant in Nepal and has them custom-made in India. They are keen to engage on a future project.

Cashmere Companies

The cashmere sector offers inspiration on how to access all the potential domestic markets. There is an opportunity for developing business relationships with this industry, who could retail Mongolian jewellery products through their own stores (both in Mongolia and abroad). There would have to be compatibility in design, quality, and brand, however.¹⁰⁹ See the Export Markets chapter for more information.

Hotel Lobbies

A number of luxury hotels have been opening in Ulanbaatar or are due to open.¹¹⁰ Some of these hotels will have retail facilities. These hotels are used by Asian and Western tourists, especially those involved in the mining sector or for adventure tourism,¹¹¹ as well as expats hosting other foreigners in the country.

A particular opportunity sits with the Shangri-La's five star hotel, which is due to open in June 2015 in Ulanbaatar.¹¹² There will be a "shopping paradise" in the hotel, retailing luxury Asian brands. Quality Mongolian jewellery could be a good fit. Mary and Martha (see below) are

¹⁰⁹ Interviews with Stephen Kreppel and GOBI Cashmere 11th and 12th December 2014.

¹¹⁰ UNCTAD 2012.

¹¹¹ UNCTAD 2012.

¹¹² Interview with Helge Reitz, 9th December 2014. Interview with Bill Manley, 9th December 2014.

considering opening a retail space here. It is conceivable that the Tumen Erdenes association could do the same to showcase their top quality products. Conversations with the managers of the Shangri-La may need to happen quickly.

Internet

Selling Mongolian jewellery to Mongolians via the Internet is a possibility, but unlikely to be one worth concentrating on. The risk of design imitation by Chinese businesses makes Mongolian jewellers extremely reluctant to sell through this channel. However, this should not be ignored as an opportunity. If further scoping is done on distribution channels as part of planning for a new project (should it go ahead), domestic and international Internet sales should be considered vis-à-vis specific markets.

Museums

Jamiyansuren, who assisted the author in research for this project, shared a story of successful sales of his jewellery through a Museum in Ulanbaatar. Jewellery that is in keeping with the 'brand' of the Museum and the stories it is telling could be placed in Museum shops. Further scoping of this distribution channel is advised.

The Rajiv Gandhi Polytechnic College of Production and Art

This college holds exhibitions of its students work. It is about to redevelop its premises to include an expansive and stylish exhibition space. Exhibitions of work by graduates, or their employers, could be arranged.¹¹³ Discussions with the college as to how they could help promote Mongolian jewellery and to which market segments should be part of future scoping on distribution. They are keen to engage with a future project.

¹¹³ Interview with Director of the Rajiv Gandhi Polytechnic College of Production and Art

7. Export Markets

Mongolian jewellers legally exported up to \$166,000 worth of products from 2010 to 2014 based on customs data.¹¹⁴ By contrast *over \$4million* worth of products containing precious metals were legally imported in the same period, though this number may include components to be used by Mongolian manufacturers, like gold chain.¹¹⁵

There is a range of potential export markets for Mongolian jewellers (see Table 2) but there are significant barriers to export for small volume products that must be worked through. These include¹¹⁶:

- Knowledge of how to ship securely and cost-effectively: there is a high risk of theft since jewellery are high-value goods.
- Knowledge of the legal frameworks in export markets.
- An understanding of fashions and tastes in export markets beyond immediate neighbours.
- Ability to manage customs, both knowing what is allowed to be exported, what certification is required¹¹⁷, what the process is and should be, and what issues are likely to arise at customs so you can develop processes for avoiding these. For example, there is a 10% VAT and 5.5% customs tax that must be paid to customs when importing jewellery. By contrast, exports are tax-exempt but frequent turnover in staff in customs means know-how is poor and jewellers must educate customs on procedures. There is a need for clear guidance for *everyone* to follow.
- Since jewellery is high value and contains precious metals, jeweller exports are likely to be under high scrutiny by customs and other authorities
- Competition in foreign markets with jewellery products from other Asian markets, including manufacturing centres like India, Vietnam, Thailand where costs of production are very low.
- Challenges in getting cash back into Mongolia from overseas sales owing to Mongolia's status as a country for money laundering. Gold economies at high risk of supporting money laundering.¹¹⁸

Mongolian jewellers were of the view that issues particular to the Mongolian compliance environment would need to be addressed *before* they could seriously consider exporting as a business growth strategy.¹¹⁹ The author is of the opinion that it is not a question of either/or, but that both domestic and export markets should be pursued, though perhaps with a greater effort on domestic potential at the outset. This is because the many of the products to be

¹¹⁴ Mongolian customs data shared with GIZ, "Gold and silver products exported between 2010 and 2014." This includes consumer goods containing precious metals, as well as traditional jewellery products, and is likely to exclude many items whose value is lower than \$2,000 for which the exporter / importer has a right to not declare.

¹¹⁵ Mongolian customs data shared with GIZ, Imports sheet of document containing "Gold and silver products exported between 2010 and 2014." This includes consumer goods containing precious metals, as well as traditional jewellery products, and is likely to exclude many items whose value is lower than \$2,000 for which the exporter / importer has a right to not declare. It also excludes gold bars, gold scrap and semi-manufactured gold.

¹¹⁶ Interview with Bill Manley, 8th December 2014, Focus group with Tumen Erdenes jewelers, 11th December 2014, Made in Mongolia Roundtable 11th December 2014; interview with Customs Officials, 10th December 2014

¹¹⁷ Certificates include 1.) from the manufacturer or shop, 2.) from the Chamber of Commerce, 3.) Assay certificate, and 4.) Cultural Heritage Certificate from Ministry of Culture, Sports and Tourism.

¹¹⁸ FATF 2003.

¹¹⁹ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

developed to capture new consumers (or more money from existing consumers) in the domestic market will also appeal to export markets, and vice versa.

Table 6 Existing and Potential Consumers and Distribution Channels in the Export Market

	Distribution Channel Consumer	EXISTING		POTENTIAL				
		Inter-national Retailers	Inter-national Exhibitions	Airport Duty Free	Free Trade Zones	Placement in Overseas Shops / Distributors for other Mongolian Products	Commission of manufacture, design, or whole product by jewellers	Internet
EXISTING	Russia	✓	✓	✓	✓	✓		Unlikely
	China	✓	✓	✓	✓	✓		Unlikely
POTENTIAL	European Market			✓		✓		✓
	Ethical Consumer			✓		✓		✓
	Ethical Jeweller (Retail Mongolian product)					✓	✓	✓
	Any jeweller (Mongolian manufacture)						✓	
	Any jeweller (Mongolian design)						✓	

Existing Customers

Historically, Mongolian jewellers marketed their wares to consumers in countries all over the in the Soviet bloc, including Eastern Europe: Poland, Hungary, Czechoslovakia, and Germany (Leipzig). During the transition to a market economy, “the old ties went and new ones weren’t established.”¹²⁰

Russia

A penchant for 22 karat gold products, wealthy consumers, a desire by people of the Buryat Republic to buy from the Mongolian ‘homeland’, and positive sales figures by Mongolian jewellers who have exhibited there testify to a potentially significant Russian market. However, there are enormous commercial barriers to exporting Mongolian jewellery to Russia, preventing Mongolian jewellers from exploiting this opportunity. Sales into Russia are very few and appear to be tied to exhibitions as the distribution channel.

First, importing jewellery to Russia is extremely challenging. There is excessive ‘red tape’, and a lack of understanding by customs on both sides of the border as to what is necessary for something to be legally exported from Mongolia making the risk of confiscation of goods by Russian border guards high. One jeweller noted that, even when all your jewellery is “labelled, tested, and stamped”, issues arise.¹²¹ Secondly, importing to Russia is expensive: there is a prohibitive import tax of 40%.¹²² Thirdly, jewellers are not free to choose their markets within Russia. One jeweller shared an anecdote of another who had exported there and been assigned

¹²⁰ Nyamaa of Altan Mungun Khonkh.

¹²¹ Nyamaa, 8th December 2014.

¹²² Mongolian Customs Authority, 10th December 2014; Focus group with Tumen Erdenes Jewellers, 11th December 2014.

a particular area.¹²³ Lastly, the level of criminalisation of Russian business networks is a huge disincentive, with Mongolian jewellers having the impression that all businesses are under some form of mafia control the implication being that they would be compelled to associate with a mafia organisation to be able to operate in Russia without threat, including physical threat.¹²⁴

One company described an experience from two years ago of taking goods to officially participate in an exhibition (possibly in Buryat Republic), noting that those who did not declare their goods were able to sell everything and those who did declare their goods at the border had half confiscated, though they were able to reclaim them on the way back. Based on this experience and the necessity for a special permit for doing business in Moscow, a more recent foray to an exhibition in Moscow meant that Mongolian jewellers visited to promote their goods, but took no exhibits with them. They do not consider Russia as a viable or attractive prospect.

Future prospects for servicing Russian consumers will be improved due to the creation of the free trade zone at Altanbulag on the northern border with Russia. Export potential *may* have also been improved by the fact that Mongolians no longer require a visa to travel to Russia, as of November 14 2014. This exemption does *not* apply to Mongolians seeking to carry out commercial activities, however.¹²⁵

China

The Inner Mongolia Autonomous Region, which sits in northern China and borders southern Mongolia and Russia, hosts around 5 million Mongols though they are a minority in this region (about 12%).¹²⁶ This may appear to offer a huge market for Mongolian jewellers, though the real potential may be limited due to the economic marginalisation and impoverishment of ethnic Mongols in China due to the pressures being exerted on them in China.¹²⁷ There are also possibilities of exporting to Southern China, but here the market is huge and competition is fierce making design crucial and the capacity to produce in large volumes essential.¹²⁸

Exporting to China is very different to exporting to Russia, and is a much easier prospect; you simply need a licence. However, the incentive to export there is low for three reasons:

- 1.) The market taste in China is quite different – consumers there demand lower quality goods.
- 2.) The market scale in China is huge - One Mongolian jeweller had attempted to export to Southern China, but demand for one design was so high (50kg of one product) he had to renege on the deal as he did not have the manufacturing capacity to deliver, in spite of being one of the larger jewellers in Ulanbaatar.¹²⁹
- 3.) There are big commercial risks of selling into China, particularly relating to IP theft. Mongolian designs are copied, altered minimally, and reproduced en masse using cheaper materials and cheaper production methods within 10 days of a new Mongolian design hitting the shops, destroying any market potential for the authentic Mongolian

¹²³ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

¹²⁴ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

¹²⁵ Embassy of the Russian Federation in Mongolia, at <http://www.mongolia.mid.ru/en/bezviz.html>. (20.01.2015).

¹²⁶ MRG (2008)

¹²⁷ MRG (2008)

¹²⁸ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

¹²⁹ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

jeweller.¹³⁰ This is the principal disincentive raised by jewellers interviewed in this study.

Instead of Mongolian jewellers seeking to set up distribution channels in China itself, it is common for Chinese buyers to come to Mongolia to purchase goods and export them themselves. One jewellery factory specialising in high quality, handmade goods noted that Mongolian saddles and traditional items are popular with this type of buyer.¹³¹ They are typically selling to Asian buyers seeking to please their boss with an impressive gift, or to owners of Mongolian restaurants looking for decorative display items.

Other

Korea was also mentioned as an existing export market, but I was not able to gather information on this.¹³² Customs data also show jewellery destined for Italy, France, Monaco, Germany, Hungary, UK, and Philippines between 2010 and 2014 but most batches are small.

Potential Customers

There are two main markets to target when exporting: commercial jewellery and ethnic/craft jewellery. According to an international jeweller consulted for this study, the commercial market is the most difficult to get into. It is not impossible for Mongolian jewellers to sell their own designed and manufactured products direct to jewellery retailers in other countries, but there is much work to be done to make this at all feasible, due to issues of volume, quality, consistency, and design. Indeed, if Mongolian jewellers cannot be competitive on price in their *own* market vis-à-vis manufacturers from other jewellery nations like Turkey, India, Indonesia, how can they compete with them elsewhere? The answer is *only* if they can differentiate their product somehow other than on price. What is their Unique Selling Position? It's Mongolia.

It is this unique piece that brings us to the ethnic or craft market. Table 8 presents a range of jewellery projects in developing countries that successfully target western consumers of various price points both through Internet sales as well as product placement in other jewellers' stores. One project is an existing Mongolian project that markets through Mary & Martha but could be supported to export in the future. Expertise could be brought from individuals and organisations who have established such projects to consider how Mongolian jewellers might create a unique offering to target consumers in this space.

¹³⁰ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

¹³¹ Nyamaa, 8th December 2014.

¹³² Nyamaa, 8th December 2014.

Table 7 Overview of Initiatives Promoting Southern Jewellery Manufacture to Northern Markets

	Jewellery Style	Price Point	Country of Manufacture	Primary country of Retail	Distribution channels	The Story
Responsible manufacture						
Starfish ¹³³	Contemporary, craft, clear pulse on US market (i.e. Anthropologie)	Low Earrings: \$15-20 Neckware \$20-100	Not clear. Website refers to “3 cities in Asia”. Vagueness is clearly an intentional choice; but it’s not clear why. (I.e.- whether it is to protect the shelters and individual employees; or to make the story more simple and accessible to consumers; etc.)	USA	- Website - A full-time manager of US Operations & Sales is on staff who coordinates wholesalers -“Advocates of Hope”: independent sales reps who host house parties & events	Starfish’s story, <i>Restoring hope to exploited women</i> , is told through a high-production short film on their sleek website. Their approach is to make the stories and work accessible to a western, or even American audience. E.g. case study pseudonyms are “Amy” and “Stella”, models are not Asian, and voice-over translations are done with a young American female voice. The focus is on the empowerment and current state of the women who are valued employees with ownership of the company. The customer is empowered as an activist who is collaborating. <i>In 2006 we developed a socially responsible jewellery business in order to provide women with alternative employment and a range of holistic care services. Starfish Project provides opportunities for women to heal and grow through counselling, vocational training, language acquisition, family education grants and health care access, as well as providing housing in our women’s shelter. As of 2013, the Project had grown to support approximately 50 women in 3 different cities, primarily through the jewellery company, where women have taken on new levels of responsibility and leadership, and are able to provide for their families through meaningful employment.</i>
CORNERSTONE ¹³⁴	Modern, designs influenced by traditional and local influences	Mid Necklace: £56-£930 (\$86-\$1,430)	South Africa	United Kingdom & South Africa	- Shop in Soweto township, SA - Shop in Cambridge, UK -Catalogue available online on Jeweller’s website	A partnership between a UK and a South African jeweller who are mutually committed to creating high quality products, while meanwhile having a social benefit in Soweto. Information and catalogue is embedded in Paul Spurgeon’s (the UK jeweller) professional website <i>CORNERSTONE project is aimed at empowering disadvantaged and marginalised people of all persuasions, primarily from the African continent. The enterprise was founded in 2009 in Soweto South Africa by Soweto born jeweller Nqobile Nkosi and UK-based goldsmith Paul Spurgeon. Their lives were poles apart and yet their hearts and minds met. The coming together of these two people firstly identified the huge need for work and dignity through gainful employment. Plans were made to initiate a training and employment programme based on giving individuals the skills, dignity and income to survive the ravages of poverty. Then, early in 2010, the first ever jewellery shop was opened in the township of Soweto and CORNERSTONE was born. History was made!</i>
Aayenda ¹³⁵ from Future Brilliance ¹³⁶	Ethnic, craft, traditional Afghan	Low-mid Necklaces	Afghanistan	US and UK	-Website -Wholesalers	Website is a sharp website which focuses on the product and doesn’t develop the “Afghanistan” brand beyond noting it comes from there.

¹³³ <http://site.starfish-project.com>

¹³⁴ <http://www.paulspurgeondesign.co.uk/page/cornerstone>

Jewellery Style	Price Point	Country of Manufacture	Primary country of Retail	Distribution channels	The Story	
designs	\$60-\$1500			use special page on website -Trunk & trade shows - through other jewellers (e.g. Pippa Small)	<i>Aayenda Jewellery is a new fashion jewelry brand with a mission to redefine Afghanistan's gemstone and jewelry sector. Aayenda, meaning "future" in Dari, is a social enterprise dedicated to raising the profile of Afghanistan's gemstone and jewelry sector internationally. Aayenda Jewellery works to highlight the possibilities and opportunities that Afghanistan's gemstones and artisanal heritage present for today's fashion jewelry, while at the same time providing our customers the opportunity to directly support the development of skills, provision of trainings and purchases of modern equipment for Afghan artisans through their jewelry purchase. Aayenda is 100% owned by Future Brilliance, a U.S. 501c3 public charity.</i>	
Streams in the Desert ¹³⁷	Handicraft Necklace \$15-\$30	Low	Mongolia	Mongolia, Scope to ship to USA	Mary and Martha Internet site, including Facebook page.	Helping rescue women from human trafficking and prostitution by giving them opportunities in silver wire jewellery manufacture (e.g. ear-rings). <i>Streams in the Desert provides material, emotional and spiritual support for men and women who have fallen into destructive lifestyles of alcohol abuse and prostitution. A Christian NGO working with YWAM (Youth With A Mission) in Mongolia. The project focuses on providing material, emotional and spiritual support for men and women who have fallen into the destructive lifestyles of alcohol abuse and prostitution.</i>
Responsible manufacture AND materials						
Pippa Small ¹³⁸	Luxury /fine	Mid - High £360-£10,500 (\$550-\$16,100)	Bolivia, Panama, Afghanistan	UK, France, USA, Europe	-Retailers across UK, US, and Continental Europe. -Net-a-porter.	Pippa promotes 'ethical projects' alongside her personal work as a result of her personal interests in jewellery, craftsmanship, and anthropology. Her website features the craftsmen with whom she's developed partnerships and collaborations. She has had a role with Turquoise Mountain to produce the Aayenda Jewellery Range.
Reflective Images ¹³⁹	Ethnic (Celtic)	Mid	Indonesia	US	- Flagship Store in USA - Website	Design and retail in the USA but manufacturing in Bali for 16 years. Their ethics, ethos, and leadership is leader on their brand, rather than putting the craftsmen or development work at the forefront. They also position themselves – and are recognised - as leaders for driving change within the jewellery sector: <i>We are leading activists in the jewelry sector. We are a co-founder of Fair Jewellery Action and spearhead fair trade manufacturing initiatives. We publish www.fairjewelry.org, the most comprehensive trade and consumer resource for</i>

¹³⁵ <http://aayendajewelry.com>

¹³⁶ <http://www.futurebrilliance.net>. ELL is working with Future Brilliance in Afghanistan for GIZ at the time of report writing.

¹³⁷ <http://streamsinthedesertjewelry.blogspot.co.uk>

¹³⁸ <http://www.pippasmall.com/#&panel1-1>

¹³⁹ <http://www.celticjewelry.com>

	Jewellery Style	Price Point	Country of Manufacture	Primary country of Retail	Distribution channels	The Story
						<p><i>fair and ethical jewelry production and sourcing</i></p> <p>Following the Madison Dialogue in 2007, Marc Choyt of Reflective Images (and Amanda Stark) led the drafting of a responsible manufacturing standard.</p>
Turquoise Mountain	Handicraft, ethnic	Mid Necklaces \$85-\$814	Afghanistan	UK & USA	-Far & Wide collective (website) - Retailed at outlets and museum shops across America, Europe & Gulf - Pippa Small is main jewellery partner	<p>The website and approach is very sleek and highlights the high profile patrons and the economic, social & cultural development impact, rather than product. The individual artisans' stories are told with high production value photos and personal biography of each. They have been featured in many major publications including the NYT, BBC, Telegraph, Forbes,</p> <p><i>Founded in March 2006 by HRH The Prince of Wales in partnership with former President of Afghanistan HE Hamid Karzai, Turquoise Mountain is a non-profit, non- governmental organization regenerating the old city of Kabul, and spurring the sustainable development of the Afghan crafts industry. Since 2006, Turquoise Mountain has trained over 450 artisans in traditional arts, restored or rebuilt 112 historic or community buildings in the old city of Kabul, set up a local primary school and family health clinic, organized major international exhibitions from Venice Biennale to the Museum of Islamic Art in Doha, and worked with prestigious international retailers from Bloomingdales & Kate Spade New York, to Pippa Small & Monsoon-Accessorize in London.</i></p>
Vukani Ubuntu ¹⁴⁰	Craft; gold	Not clear	South Africa	Not clear	Not clear	<p>Vukani Ubuntu's website is a bit out-dated and difficult to navigate. Uses 100% recycled gold.</p> <p>Vukani Ubuntu focuses on training, skills education, and job creation through 8 project centres across South Africa. Highlighted is the effectiveness of the Integrated Sustainable Development model: a collaboration between a private funder (AngloGold Ashanti) and an existing training facility - in that case, the A'ville FET College (Further Education and Training), with Vukani as project initiators and managers.</p> <p>It is not clear if Vukani Ubuntu's jewellery work remains operational. Their retail website, www.fairmade.co.za, is presently not in order.</p>

¹⁴⁰ <http://www.vukani.co.za>. See also <http://www.vukani.org>.

Analysis of these initiatives and consideration of the applicability of their business models to the Mongolian jewellery sector raises the following points for consideration in order to make exports of Mongolian jewellery to western markets commercially feasible. These are much the same as for the tourist market:

- **Competition (price):** It is possible to pitch ethical jewellery at all price ranges, but to market it to the high range the story, artistry and quality of the jewellery is paramount (i.e. per Pippa Small).
- **Aesthetic:** Creating a new market elsewhere based on existing products would be hugely challenging due to current fashions in Mongolia. Creating a new market based on new products that incorporate essences of existing designs or reflections on other facets of Mongolian culture, identity and heritage would be more likely to succeed. Quality of manufacture and finish is also crucial, even for cheap jewellery. The jewellery made by all manufacturers above gesture towards their cultural origins, but capture qualities that work for different markets.
- **Quality assurance:** European consumers will want adequate guarantees of mineral content and manufacture. Improving this per Gunsen's work is essential. Assurances of *ethical* quality also enhances value and the story to be told.
- **Distribution (access):** Western consumer tastes are hugely diverse; it's a question of targeting the right markets. Market research, beyond what is in this report [below](#), will be necessary to understand existing opportunities. Scoping possibilities *through* the initiatives set out above, and in consultation with them would be worthwhile.
- **Story-telling:** There is an increasing trend in Europe, North America, Australia and New Zealand for products that have a story of provenance, quality, and ethics. Along with design, this will be the unique selling position of Mongolian jewellery. Let the use of Mongolian gold deliver the socio-development story and let the Mongolian design and manufacture deliver the heritage & culture story.

When questioned on the potential of marketing to Europe, one jeweller said he could imagine promoting airag bowls in particular to Europeans owing to the fact that they are hygienic, become hot, and are understood to be the reason why Mongolians have brilliant teeth. Some education will be necessary on what aspects of authentic Mongolian design and products would be marketable in Europe, and the importance of being guided as much by demand as supply.

Existing Distribution Channels

No stable distribution channels for sales into China or Russia were identified during the research.¹⁴¹ Occasional channels arise when Mongolian jewellers participate in jewellery shows in Southeast Asia each quarter, including in Korea¹⁴² and Hong Kong.¹⁴³ Otherwise the exports that show in customs data are likely to be derived from individual or small batch exports by tourists and Mongolians when travelling abroad for other reasons.

Potential Distribution Channels

The potential distribution channel depends on what is being exported: is it Mongolian *design* or a *manufactured product*. Both are possible and should be scoped separately as part of a future market survey.

¹⁴¹ Nyamaa, 8th December 2014.

¹⁴² Tumen Erdenes, 2014.

¹⁴³ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

Exporting Design

This is least likely to be successful except in a few individual cases for artist jewellers who could service high-end brands that may wish to produce a Mongolian-inspired jewellery range as part of a high fashion portfolio.¹⁴⁴

Exporting Manufactured Products

As per the jewellery projects outlined in Table 8, distribution channels with the most potential include the Internet and placement in Overseas Jewellery Retail Outlets, including potentially through some of those initiatives identified in Table 8. There are four options: Mongolian becomes a manufacturing destination of foreign jewellery products, Internet Sales, distributing whole products to new markets through international jewellers, and the duty-free and free-trade zones.

Mongolia as a Jewellery Manufacturing Destination

US jewellery firm, Reflective Images designs and retails its jewellery in the US, but manufactures it in Bali. When asked what they looked for when choosing where to locate their manufacturing operations, President, Marc Choyt, told me, *"We look for a strong handcraft jewelry tradition for what we need-- principally, countries like Bali and India and Thailand have it. Finding a new manufacturer is fraught with huge risk... when you go into a developing country and start dealing with new companies there is a learning curve. They don't get deadlines, the consequences of [missing] deadlines (penalties for example); they don't have systems in place, all the cultural elements. Often they farm stuff out which means inconsistent quality. Quality control is a huge issue because local artisan work is often not up to international standards. The whole international business issue requires considerable capacity building. We've been working with the same guy in Bali for over 15 years and he's from New Zealand so there was a strong communications link from the beginning. I guess that the manufacturing issue is as complex in terms of "capacity building" as dealing with ASM.... if you are starting from scratch."*¹⁴⁵

The challenges Marc raises are obstacles that can be overcome, and particularly if the opportunity was clear to Invest Mongolia, but the dream is likely to sour due to the cost of labour in Mongolia and existing weaknesses in the sector. Jewellers are likely to find it more commercially appealing to set up a manufacturing venture in another established jewellery manufacturing destination. However, if the Mongolian jewellery sector is invested in such that it can overcome its existing weaknesses (technology and assurance, for example) there may be a future when international jewellers consider it as a manufacturing destination.

Distributing through the International Retail Outlets of other Mongolian Brands

There is also an opportunity to place Mongolian jewellery in shops or with distributors marketing other Mongolian Products.

Gobi Corporation promotes its cashmere products by talking of the origin of its materials, the traditional knowledge that directs its process, partnerships and research and development, branding, certification and assurance, trademarks, and commercialisation and business results. It recognises the opportunity the unique story of its materials offers as a branding opportunity. In other words, it is using the key features of story, assurance, transparency in capturing its market.

¹⁴⁴ Will Francis considers this possibility briefly referring to Dolce & Gabbana's Italian Renaissance inspiration for their Fall / Winter 2014 collection. (Francis, 2014).

¹⁴⁵ Marc Choyt, email to the author, 4 December 2014.

Gobi Cashmere. Mongolia is not well known for cashmere, yet it is the world's second largest supplier (25%) and the quality is among the world's finest. The Gobi Corporation, formally state run, has taken the lead on revitalising and strengthening the brand. Gobi links quality and production to Mongolia's domestic realities and culture: 40% of Mongolia's population engage in nomadic herding for subsistence. Meanwhile, Gobi buys directly from herders who pass their traditional knowledge from one generation to the next. Gobi has also collaborated with three other Mongolian cashmere companies to establish the Mongolian Fiber Mark Society, which is devoted to protecting the reputation of Mongolian cashmere including through

Gobi corporation's international sales comprise 30% of turnover and they are looking to increase this by opening 47 Gobi brand stores overseas. Presently, 70% of their international sales are made through private labels, which limits their ability to get brand recognition in their markets. Existing markets are France, Japan and, most importantly, Russia. They are contacted by buyers who wish to stock and sell their products.

The author met with Gobi Corporation to discuss what jewellers could learn from them, and what commercial opportunities for collaboration exist:¹⁴⁶

- Gobi Corporation is presently brainstorming on what accessories they might build into their product line. It is likely that the CEO would be open in including jewellery.
- Once Gobi Corporation's present work on their brand concludes they would be willing to talk with Mongolian jewellers as to how they can leverage each other.
- It could be possible for Mongolian jewellers to distribute their jewellery through Gobi Corporation's own stores. There would need to be a process of experimentation to understand what the different markets are looking for.
- It is also possible for Gobi Corporation to feature Mongolian jewellery brands in its fashion shows and product catalogue, and to do joint expos.
- The Gobi brand is quality driven, so compatible jewellery would be the (only) option.
- They are pushing an organic range which is proving very popular in Mongolia and in Europe. An 'ethical' jewellery range would work well with this.
- Gobi Corporation could have a mentorship or training role for Mongolian jewellers.
- Gobi Corporation could be part of the proposed Export Marketing Board of MNMOC.

Internet

The risk of design imitation prevents Mongolian jewellers using the Internet to sell into Mongolia and markets in neighbouring countries. However, in the case of the ethnic/craft jewellery sold by the initiatives in table 8, the value of the jewellery is formed by the story that comes with it, the brand marketing it, and the assurance of these things, not just the design. This protects the product *as a whole* from copying.

Distributing through international jewellers

There are three variations on this:

- The whole jewellery originates in Mongolia (design, materials, manufacture) – presently possible for gold or gold-plated jewellery. In this model the jeweller simply retails the Mongolian product, acting as a distributor but adding value through telling the story of the jewellery and providing access to new markets.
- The manufacture and design only originate in Mongolia (no emphasis on materials) - presently necessary for silver jewellery. In this model the jeweller simply retails the

¹⁴⁶ Interview with Mijidsuren Ch. Director of overseas sales, 12th December 2014.

Mongolian product, acting as a distributor but adding value through telling the story of the jewellery and providing access to new markets.

- Part of jewellery story originates in Mongolia (design or materials or manufacture). In this model, the international jeweller has a greater role in getting the product created in the first place.

The model chosen will depend upon the particular value the international jeweller sees in the Mongolian product or manufacturer.

Duty-free and free trade zones

The appeal of sales in or through a duty-free zone is that the matter of dealing with customs at point of origin is dealt with, giving customers more certainty that they will not face problems when attempting to export an item of potentially high value. Whilst customs get educated on how jewellery items should and should not be taxed and handled, the duty-free zones could offer a more hassle-free export option for visitors to Mongolia and Mongolians travelling abroad.

Mongolia is in the process of developing a new airport for Ulanbaatar. Opportunities for retailing Mongolian jewellery in duty-free could be possible. The only jewellery the author found on sale in the duty free at the present Ulanbaatar airport was imported.

There are two other Free Trade Zones in Mongolia, but these are likely to offer different commercial opportunities. These are: Altanbulag at the northern border with Russia and Zamiin-Uud at the southern border with China. The Law on Economic Zones envisions a virtually tax-free business environment and minimum bureaucratic obstacles for foreign and domestic companies. While Tumen Erdenes is considering opening a small shop in a Free Trade Zone as an association,¹⁴⁷ it may be that the opportunity is less in opening a shop to service people passing through the zone, but to use the zone as a site for jewellery manufacturing, warehousing and distribution to aid access to export markets internationally. Understanding the real market and commercial potential (and issues) each poses will require some specialist assessment.

Altanbulag Free Trade Zone (Opened 22 June 2014)

The Altanbulag Free Trade Zone (AFTZ) is located in the northern part of Mongolia with a planned area of 500 hectares. It is adjacent to Khiagt border port of Russia, 335 km away from the capital city of Ulaanbaatar and 25 km away from Sukhbaatar city of Selenge province. It has an infrastructure for 15-20 thousand people to live.



The broad vision is for AFTZ to expand to a major trade center with a free flow of products and goods and operations of internationally well-known companies and corporations, creating a combined network of centralizing, storing, sorting and distributing the products.¹⁴⁸ The vision includes enabling trade in building materials and car parts, and appears to focus on a

¹⁴⁷ Focus group with Tumen Erdenes Jewellers, 11th December 2014.

¹⁴⁸ Invest Mongolia, 2007

wide range of industrial sectors.¹⁴⁹ The AFTZ officially opened on 22nd June 2014 with an international expo, where wood and wooden products from Russia, consumer goods from China, and Japanese and Korean products were available.¹⁵⁰ Small scale sellers were present (see photo¹⁵¹)

Zamyn-Uud Free Economic Zone (ZFEZ)

ZFEZ is located in Zamyn-Uud border point town in the southern part of Mongolia. It is situated 780 km from Ulaanbaatar, 230 km from Sainshand, the center of Dornogobi province and 8 km from Erlian town of China. Allocation for the FEZ is an area of 900 hectares.

The Law on the Legal Status of the “Zamyn-Uud” FEZ envisages to develop the zone with three major sections – industrial, commercial, and tourism-service. The tourism and services section will implement projects aiming to develop tourist camps, hotels, restaurants, cafes, fast food shops and entertainments, golf course, horse racing , camel polo and a casino.¹⁵²

¹⁴⁹ Ooluun, 2014.

¹⁵⁰ Ooluun, 2014.

¹⁵¹ Photo Credit: Info Mongolia, 2014; <http://www.infomongolia.com/ct/ci/8027>

¹⁵² <https://investmongolia.wordpress.com/category/law-on-economic-zones/>

8. Links with the ASM Sector

ASM are suppliers to the jewellery sector and consumers of jewellery. There is also the potential to train miners and mining household members in smithery and jewellery manufacture as an additional livelihood activity.

Miners as Suppliers

Mongolian jewellers use 150–250kg of gold per annum.¹⁵³ This is between 3 and 5% of the estimated 5 tonnes of gold produced by ASM each year. This makes jewellers a fairly insignificant buyer of ASM gold.

Jewellers will typically buy directly from UB changers, whose margin is only about 1,500 Tugruks per gram (about 2% of sale value) on gold. The necessity to pay income tax to semi-legalise this purchase makes jewellers a less attractive buyer than either the Mongol Bank or the smugglers. Jewellers get around this by declaring only a small proportion of the gold they have bought, and paying the income tax on this.¹⁵⁴ Making it possible for changers to operate legally and with full responsibility for their own legal status will make jewellers a more attractive sale prospect and help them operate more legally. Right now, it is not possible for a changer to be legal, and it is a struggle for jewellers to operate fully within the law when working with gold.

Company	Gold	Silver
Altan Mungun Khonkh	1 kg (17kg in 1990s)	200 kg
Erdeniin Goyol	4-50 kg	200-300 kg
Khas Goyl	5-10 kg	200 kg

Mongolian jewellers use 7-9 tonnes of silver per annum, most of which is imported from China or Korea. Silver is a by-product, and presently a waste material, from ASM gold. Up to 250kg of silver, at a value of around \$135,000 may be being lost each year.¹⁵⁵ This is not a huge figure at the national level but is a significant loss to artisanal miners and jewellers. In the ministerial roundtable, one representative speculated if income from this waste silver, when recovered, could be invested in environmental rehabilitation. Jewellery could then be sold as having benefited the environment *and* rural and urban economies, which would particularly appeal to the tourist market.¹⁵⁶ However, with prospective return on investment being so low, this seems infeasible unless a much longer-term view is taken.

Miners as Jewellery Consumers

An interview with the Chairman of the ASM Federation, Mr. Narantsogt, and a female colleague¹⁵⁷ revealed that, whilst ASM have a lot of interest in jewellery, they are not really important customers to rural jewellers nor are they a likely customer owing to their having low disposable income.

¹⁵³ Interview with Tumen Erdenes, 8th December 2014.

¹⁵⁴ Focus group with Tumen Erdenes jewellers, 11th December 2014.

¹⁵⁵ Back of the envelope calculations with Dr. Muff estimates 5% of Mongolian raw gold is silver; if ASM produce towards 5,000 kg per annum of raw gold, then annual silver production is 250kg. Interview with Dr. Muff, 10th December 2014.

¹⁵⁶ MRAM at the Ministry Roundtable, 11th December 2014.

¹⁵⁷ Unfortunately we were not able to get her name, though we asked for it as she understood us to mean the name of Mr. Narantsogt which is what she wrote in the author's notebook.

Miners as Jewellers?

Miners are interested in developing their businesses, and adding value to their gold is an obvious strategy. One way to add value is to craft it into jewellery, and sell it for higher than the value of gold in the product and overheads required to develop and market the jewellery business. However there is a range of sizable barriers that makes this an unattractive option from a business and thus development point of view for miners.

1. Miners need to sell gold as quickly as they find it – they cannot afford to stockpile. Jewellery businesses typically hold a lot of product in stock, and must have access to money to continue their business in spite of this. To enable miners to be jewellers, access to affordable cash is essential if any one individual or a mining household is to do both livelihoods.
2. Mining and smithing / jewellery require very different skill sets; put in extreme terms operating a jack hammer requires different physical competencies to operating a shank drill, and selling gold to a changer is not the same as selling a jewellery item to someone looking for a ring. Of course, it is not an impossible concept for miners to retrain as jewellers, but it is not a related skill set besides, perhaps, operating machinery. This means a lot of investment in training and re-skilling.
3. Though research into the particularities of rural jewellery markets was not carried out for this work, the market opportunity in mining communities seems to be small based on the views of the representatives of the miners' federation. The federation leader was of the opinion that they could incentivise miners to buy jewellery crafted by other miners, and whilst this could benefit those miners that are doing jewellery, it would not benefit the mining community as a whole. National statistics also suggest a poor opportunity. First, the unemployment rate in the provinces ranges from 7.7% - 11.9% though it is a little below average in mining-heavy soums, such as Bayanhongkor; second 2.6% of monthly expenditures goes to 'gifts and benefits gave [sic.] for others', or 21,852 Tugruk in 2013. This amounts to 262,000 Tugruk or around \$140 per annum per household. If miners are to exploit a livelihood opportunity in jewellery, then new demand for jewellery products needs to be created, and not only amongst miners.

Liquidity, low skills, and uncertain market make the risks high for turning miners into jewellers. But there may be a more realistic, i.e. less risky, opportunity for livelihood diversification into *silver* products for a mining family. First, silver is cheaper than gold, so it is less risky to have 10 silver products stockpiled than 10 gold products. Second, silver is easier to sell than gold in rural economies based on price point alone (though taste may mean herders and others in rural economies would prefer gold products). There is an existing market for silver jewellery in Mongolia, and a range of expert silversmiths in the provinces according to Ms. Enkhtuya of the Producers and Service Providers' Association.¹⁵⁸ Lastly, silver is a by-product of gold mining that is typically wasted during the concentration process. Finding ways to recover this lost silver adds value for the miner and also reduces concentrations of this trace element in mine and processing plant tailings. Recovering this wasted silver provides value-addition for the miners, regardless of any opportunity in jewellery. Felix Hruschka advised the processing plant in Bayanhongkor of this potential and a possible recovery process, during the SAM project planning mission in June 2015. If silver were recovered in this way, it would benefit the miners who would have a new product to sell; it would benefit the changers, who presently deal in imported silver, which is expensive, or scrap silver, which risks the destruction of artefacts; and it would benefit Mongolian jewellers by having an alternative metal in which to craft a broader set of products to access a broader set of markets for a 'Made in Mongolia' brand.

¹⁵⁸ Interview with Enkhtuya, 9th December 2014.

From the point of view of economic strengthening for miners, training miners as jewellers is one avenue for diversification of livelihoods. However, building an integrated livelihood strategy is risky. Disruptions to the mining business will affect the jewellery business through constrained supply; low sales in jewellery keeps cash tied up in stock, and unable to be released for investing in developing the mine. Greater resilience would come from diversifying into unrelated livelihoods for miners and their households. When SAM starts its economic strengthening work, it would be wise to consider the strengths and weaknesses of ASM businesses, and what complementary and feasible livelihoods or business activities would counter these strengths and weaknesses to the advantage of mining families, partnerships, and NGOs.

Changers and Metal Supply Chain¹⁵⁹

Jewellers are not important customers for Ulanbaatar's changers. Of three changers interviewed, one never sold to jewellers and the other two each sold 100-200 grams to jewellers once a week or so. They noted that sales increase during the wedding period and before New Year.

Jewellers pay the changers the same price as the Mongol Bank. However they prefer to sell to the Bank since the Bank will buy larger amounts each time. Their first choice, however, is the contraband changes as then they avoid all taxes. If the changers become subject to income tax of 10% (which is not yet happening, even when selling to the Mongol Bank) it will drastically affect their business models and most likely lead them to lower the prices they pay to the changers in the Aimags; the result will be lower prices to the miners. This is a negative side-effect of formalising gold supply chains.

One changer interviewed had previously been a jeweller. At that time s/he bought gold from pawn shops, which was cheaper than buying from the changers. S/he moved into trading gold because, *"to manage in jewellery production you invest so much money, get a low income and spend all your time visiting shops to sell. Whereas with gold, you get a quick turnover."* There is a compatibility then between these two businesses strategically and this changer saw this potential, having the intention to move back into jewellery in the future. Perhaps instead of concentrating on developing miners into jewellers, one strategy could be to develop jewellers into gold traders or vice versa?

The changers could be instrumental in helping Mongolian jewellers build a story about the origin of their material. One changer explained, *"I have experience looking at the gold and from the colour and purity I know the origin. I have spent 10 years collecting gold in [anonymous] Aimag and i know all the different valleys and different golds. I am the [anonymous] Aimag gold expert!"* The Ulanbaatar changers differentiate themselves by buying from different geographies; the Bayanhongkor gold 'belongs' to specific Ulanbaatar changers.

There are about 10 changers doing significant business in Ulanbaatar.

¹⁵⁹ Based on focus group with three changes and an artisanal miner, 12th December 2014.

9. Key Opportunities and Barriers

What the Sector itself has identified

Different stakeholders in the sector are seeking different things.

Jewellery retail booths want help to identify new markets and financial assistance.¹⁶⁰ Jewellery factory owners want study tours, which have proven inspirational and transformative in the past; new technologies and machinery; and new markets, including internationally. Jewellery designers and artist jewellers also want study tours, including to countries of renown for technology, design and manufacturing, and to international jewellery exhibitions

The major jewellery association, Tumen Erdenes, has carried out a study on the state of the sector and has proposed the following measures in its paper, *“PROPOSALS TO DEVELOP JEWELRY PRODUCTION: Introduction of jewelry making sector, current situation and challenges faced”*¹⁶¹

- Improved policy, coordination and inspection of the jewellery market to support formalisation and penalise informal actors to make formal business more competitive.
- Changes to the law, including putting the focus rather on having Mongolian National Standards followed nationwide, rather than jewellers having to get licensed as a condition of doing business.
- VAT is presently applied to the full value of the product; however, a significant part of a product’s value is derived from the value of the materials in it, not the jeweller’s “additional production cost and profit.”¹⁶² Tumen Erdenes would like to see gold products and imported silver being exempt of VAT.¹⁶³
- Rationalising and updating the assay inspection regulation and procedures, to rely upon a factory based assurance (certification) system rather than assaying all products at the Assay Laboratory.
- A lack of financial means prevents business development and innovation, including introduction of improved technologies. Jewellers are considering how to achieve economies of scale. Consequently, Tumen Erdenes is seeking to establish an “Integrated Complex of Art and Industry for Craftsmen”, essentially a jewellery manufacturing cluster or cooperative which would enable businesses to share advanced technologies, access small loans, and produce high quality jewellery. Anticipated expenditure is between 20 – 30 billion Tugriks (\$10 – 15 million):¹⁶⁴
 - Equipment – 6.5 – 9.0 billion tugriks
 - Working capital (loans) – 10 – 14 billion Tugriks
 - Design (‘to invent their fine arts’) – 3.5 – 7.0 billion Tugriks

Tumen Erdenes believes that the above measures will help the domestic market share reach 40-60% in five years, and add value to Mongolian gold of up to 18.5 billion Tugrik (\$9.5 million) if 20% of Mongolia’s 5 tonnes of gold from artisanal miners is consumed by the jewellery sector.¹⁶⁵

¹⁶⁰ Booth owner, 8th December 2014. This is the opinion of ONE individual. Obviously a broader sample is necessary here!

¹⁶¹ Tumen Erdenes, 2014.

¹⁶² Tumen Erdenes, 2014.

¹⁶³ Tumen Erdenes, 2014.

¹⁶⁴ Tumen Erdenes, 2014.

¹⁶⁵ Tumen Erdenes, 2014.

What this and prior research has identified

In addition to the barriers identified by the Mongolian jewellers themselves, this research, and that of Will Francis and Zorigoo Gunsen have identified a range of barriers and opportunities for developing the Mongolian jewellery markets.

Art and Design and Getting the Product Right

There are few Art-Metal Jewellers; there are lots of smiths and factories using outdated techniques and technologies. The sector needs to be driven more by art and fashion. This is preventing Mongolian jewelers from achieving their full potential in terms of the aesthetic & quality of their jewellery. Competition in design and new types of artistic inspiration must be generated to drive innovation and quality improvements and move jewelers from *imitation* to *initiation*. Commercial relationships with other fashion and luxury sectors will aid this.

Ultimately the creation of new products needs to be design-led derived from research on what people will buy, why, and gesturing to the Mongolian. Western consumers no longer want 'tat' that has poor design and quality and is cheap; they are looking for strong design *and* cheap, which may mean inferior quality (lower price point) or good quality (higher price point). Mongolian consumers don't want traditional designs beyond the saturated market for servicing specific occasions in the calendar. Mongolian consumers wish to spend their additional dollars on jewellery that has an international feel too.

Achieving this will mean a greater design and fashion ethic throughout the sector. Building cooperation and commercial relationships with other fashion businesses, e.g. in the cashmere and leather sectors, would help, as would deeper relationships to the University (where possible), and the Arts Council and the Gandhi Polytechnic College of Production and Art in particular. Some companies are already working from the starting point of art and design, but not all are pitching this correctly for appealing to the tastes of the (post-)modern Mongolian consumer and potential foreign customers.

Better Business Skills and Encouraging Competition

There is a need to better understand different market segments, including fashion and taste, to get the pitch, placement and pricing right. This is as much the case for existing markets as it is for potential markets. This feeds into a broader need for brand differentiation. Mongolian jewellery manufacturers and retailers would benefit from training in branding to improve differentiation between them. The challenge will be how to improve competition in a way that does not violate the ethics of solidarity and collaboration that are intrinsic and so important to this sector.

Mongolia's Gold is a Barrier and an Opportunity.

Poor quality of gold is an impediment to high quality jewellery. Improvements in assurance of material and product would help access to new markets.

On the other hand, there is huge scope for traceability, story-telling and the creation of an 'ethical' jewellery sector in Mongolia. Even without the additional story of Mongolian gold, the sector has a lot to draw upon in terms of building Mongolian heritage and future into design, at least. But a bigger opportunity exists. At its weakest, Mongolian made jewellery using Mongolian ASM gold would stand apart from other ethical jewellery products. The international market is crying out for jewellery made with ethical artisanal gold. In spite of the ongoing issues that might preclude a full ethical claim, Mongolia's legal ASM are more organised, formalised, and professionalised than the majority of ASM, and this is particularly so for those cooperating with the SAM project. Furthermore, Mongolia now hosts one of the world's best artisanal gold mines – Tsakhan Tsakhir – which was recently certified by Fairmined. It may be possible for a

complete supply chain of Mongolian jewellery made with Mongolian Fairmined Gold to be crafted and marketed to tourists in Mongolia and potentially overseas as well. This would be *unique* in Asia and perhaps in the world – Mongolia is the only Asian country with a Fairmined or Fairtrade mine.

Government is behind the Jewellery Sector

As the chapter on Governance showed, a range of Ministries expressed support for a potential programme for the jewellery sector. Tumen Erdenes is already working with the Ministry of Industry. MNMOC is establishing the Made in Mongolia brand, which could offer a lot of support to the sector. The establishment of an export promotion board under MNMOC would be an excellent starting point for aiding planning and coordination.

There is a Huge in Opportunity to Leverage and Collaborate with other Sectors

Tourism, Cashmere, Leather, Mining – all of these sectors rely upon products and services that contain intrinsic Mongolian features. Each offers opportunities to Mongolian jewellers.

Tourism – jewellers can retail to tourists; tourists can visit jewellery manufacturing stores, exhibitions, and expos to learn about the Mongolian jewellery tradition.

Cashmere – the sector can learn from their experiences, jointly promote their products in Mongolia and abroad, and potentially enter into commercial relationships.

Leather – as for cashmere, though it was not studied for this report.

Mining – the ‘Made in Mongolia’ concept is enhanced through the potential to use Mongolian ASM gold.

10. Next Steps

Jewellers need trained in:

- Marketing & sales: what customers want, how to increase benefits from existing markets, how to open new markets.
- Exporting: why and how to export, the risks and rewards.
- Study tours to see how successful jewellers are doing it elsewhere
- Business strategy including:
 - how to brand, how to build a brand, and how to use it for commercial gain
 - design as a core driver for product innovation
 - competition as a core driver for commercial innovation
 - specialisation
 - blue ocean thinking (what assets do we already have, and how can we deploy these in new products, services, sectors)

The Sector needs:

- Detailed stakeholder mapping.
- Support to develop new business models
- Support to improve returns from existing markets
- Support to develop and prioritise amongst new distribution and marketing channels
- Support to drive innovation in design, including strengthening jewellery's links with fashion & art in Mongolia
- Legal and fiscal reform, and enforcement particularly at customs.
- Experimentation of new products in new markets.
- Financial support to aid liquidity and risk-taking, drive innovation.
- Improved quality & assurance, including traceability of materials and jewellery items
- Improved story telling around jewellery sector, individual product ranges, materials, including communications, PR and Publicity
- Development of individual brands AND a national jewellery brand
- To build relationships with other sectors to leverage what they offer, and vice versa

A Jewellery Programme could involve the Following Activities to get things Started:

1. Nurture a willingness to invest in sectoral development amongst Mongolian jewellers. For example, there is the possibility the association would co-finance an international marketing expert to run a training with them on commercialisation strategies for their jewellery. Where the jewellers are investing, they'll have a greater stake in succeeding.
2. Carry out a detailed stakeholder mapping.
3. Recruit existing jewellery retailers, including booth sellers, to see how they can be part of the solution for resurrecting the Mongolian jewellery manufacturing sector.
4. Create a multisector roundtable to explore linkages and coordinate efforts.
5. Engage UNCTAD's inter-agency working group to consider opportunities for marketing to tourists.
6. How to align jewellery sector strategy with Mongolia's economic vision for its tourism sector.
7. Create an export marketing board to facilitate market identification and access.
8. Engage the new ministries to confirm interest and potential roles in either of these organs.
9. Carry out a more detailed Market Survey, including quantitative surveys and interviews with existing and potential customers, distributors, and jewellers, as well as allies for accessing new customers (e.g. tourism, fashion, and clothing companies and sector

- governance bodies). This should cover the most desirable domestic and international markets and distribution channels identified in this study.
10. Match those markets and distribution channels where the most realistic and rewarding opportunities exist with the artists, factories and smiths that are most able to specialise and target them.
 11. Build a mentoring programme to support these businesses to identify opportunities that are appropriate to their brand and strengths and to pursue these, but within a framework of a broader strategy for the jewellery sector. This includes providing training on business strategy per the needs above.
 12. Pilot training on markets and marketing: Bring an international marketing expert for one week to deepen the needs assessment, and deliver a training on international marketing, develop a market strategy for the Mongolian jewellery sector, and design a plan to advance the recommendations in this study.
 13. Engage a PR firm to help create stories on Mongolian jewellery that will appeal to different market segments.
 14. Support Tumen Erdenes with their vision for how to improve the operating environment for Mongolian jewellers. Also engage the Producer and Service Providers Association.
 15. Map Mongolian materials that could be used in Mongolian jewellery as part of a broader 'made in Mongolia' story. How do these align with the tastes of the new target markets?
 16. Identify a partner country for study tours.
 17. Support jewellers and associations participate in international jewellery exhibitions, but with specific educational and commercial goals attached.
 18. Engage CIBJO to see if/how they could provide support for the development of the Mongolian Jewellery Sector. Consider involving them in the Export Promotion Board. Introduce them to Tumen Erdenes.
 19. Scope with the Alliance for Responsible Mining the potential for creating a 'Mine to Mrs' complete supply chain for Mongolian jewellery made with Mongolian Fairmined gold for sale to domestic consumers, e.g. tourists.
 20. Engage the jewellery initiatives identified in Table 8, and others that may exist, to investigate the potential for collaboration and mutual benefit.

Conclusion

The Mongolian jewellery sector is in decline and requires commitment to turn it around. This commitment exists, but there is a need for innovation and working existing business opportunities harder, including better exploiting existing markets and foraying into new ones, as well as creating new business models which will improve sector productivity, profitability, and resilience.

All in all, the conditions for a successful programme with wider impact appear to exist: there is a network of engaged and committed private and public sector stakeholders; there are opportunities for nurturing economic diversification and growth through cross-sectoral linkages with other Mongolian-made products whose domestic and export market positioning and marketing strategies align. There is a great story to be told, including the story of Mongolian ASM gold, a rich history of Mongolian art and design, and a modern society that marries the old with the new. And though Mongolian jewellers' share of the market is falling, overall consumption of jewellery has been growing in Mongolia. However, greater information is necessary to be conclusive on the opportunity, and in particular the conduct of a survey of existing and potential consumers of Mongolian jewellery to ascertain their preferences and

priorities with regard price, aesthetics, quality assurance, access and availability, and story-telling.

The opportunity for Mongolian ASM to be jewellers is less apparent and in the author's opinion is not a sensible focus for economic strengthening of artisanal miners' livelihoods or ASM communities through value-addition. The conditions under which this becomes more possible is perhaps through a.) incentivising the recovery, refining and utilisation of *silver* by ASM to sell into local jewellery markets or b.) enabling artisanal miners and their household members to develop jewellery businesses that are not dependent on the success of the artisanal mining enterprise.


Ultimately the author recommends the GIZ and SDC establish a programme to support the Mongolian jewellery sector, but this not be *dependant* on a link with the ASM sector but contribute to strengthening ASM supply chains, e.g. by enhancing an existing market for ASM gold, and story-telling and promotion of Mongolian ASM gold in Mongolian-made jewellery.

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Annex 1: Terms of Reference

Annex 2: Product Inventory

Product	Example Products and markets
Modern Jewellery	This product category is the riskiest but most profitable for some jewellers as it has the most overall demand. It requires a lot of investment, especially when using quality gems, as these must be imported. ¹⁶⁶
Rings	 <p data-bbox="398 986 1151 1011">Figure 8 Modern rings, including 'Mongolian wedding ring' (far centre right)</p>
Ear-rings	

¹⁶⁶ Interview with Director, Erdeniin Goyol Co., Ltd

Product	Example Products and markets
Pendants	Figure 9 Cheap jewellery for sale in Mungun Zavhya. Not original Swarovski products, however.
Traditional items: Tableware	
Cutlery	
Embellished ladles	
<p>Airag bowls in multiple sizes (e.g. one company does from size 3 to 12, where 12 would be a very large bowl)</p>	 <p>Figure 10 These hand-made airag bowls each take two people two weeks to make. The largest (size 12) will retail for 35 million Tugruk (\$18,000) in silver. They are manufactured by Altan Mungun Khonkh</p> <p>Use > 200g Au (size 3) and 50 - 100 g Ag (size 3)</p>
Eating sets (flint, chopsticks, knife)	
Candlesticks	

Product	Example Products and markets
Tea pots	
Cups	
	 <p data-bbox="398 624 974 651">Figure 11 Jade tea pots, cups and bowls by Erdeniin Goyol</p>
Traditional items: Cooking	
Cauldrons	
Fire stands	
Soup Ladles	
Traditional items: Jewellery	

Product	Example Products and markets
Tiara and decorative traditional metalware for ornamentation of hair	 <p data-bbox="398 790 1630 813">Figure 12 The author doing injustice to a silver headdress by smithery students at the Gandhi School of Productions and Arts</p>

Product

Example Products and markets

Ear-rings



Figure 13 \$1,000 earrings based on traditional Mongolian design by Mr. Duihnov of the University of Artsa and Culture

Product
Silver belts

Example Products and markets



Figure 14 Altan Mungun Khonk sells a very large belt, made entirely of silver for 21 million Tugruk (\$11,000)



Figure 15 Altan Mungun Khonk sells a ladies silver belt for 3 million Tugruk (\$1,600)

Product

Example Products and markets



Figure 16 The factory, 'B Factory', sells 6 of these belts a month through its shop, Mungun Tovch, in one of the jewellery clusters. Each sells for 350,000 Tugruk (\$190)

Product

Example Products and markets



Figure 17 Gold and silver belts, with semi-precious stones, by Erdeniin Goyol

Belt buckles



Figure 18 Altan Mungun Khonk's belts with handmade buckles sell for \$100 each. These ones are made with Mongolian turquoise and

Product	Example Products and markets cow leather	
Traditional items: Weapons		
Swords		<p>Figure 19 Mr. Enkhtavaa, professor of the university of arts and culture, with his \$17,000 sword</p>
Guns		
Saddles	<p>Khas Goyl sells about 12 saddles a year, usually around Naadam and the Lunar New Year. Each saddle takes 2 people 2 weeks working 8 hours a day. Each may use 4-5 kg silver. Predominantly sell to Mongolian herders, and ethnic Mongols from China, Russia</p>	

Product	Example Products and markets
Bows	Each may use 3 kg silver
Traditional items: Ornaments	
Statuettes of religious items	


Product


Example Products and markets

Laissez-passer



Figure 20 Mongolian laissez-passer between two animal statuettes at Erdeniin Goyol

Product	Example Products and markets
Statues of animals, warriors, caravans	 <p data-bbox="398 651 779 678">Figure 21 Statuettes by Erdeniin Goyol</p>
Chess boards	
Trophies and Awards	
Sporting Events trophies	

Product	Example Products and markets
<p>Competitive events, e.g. Herder of the year in every soum</p>	 <p data-bbox="398 869 1370 997">Figure 22 The prize for Mongolian Herder of the Year, several hundred of which are manufactured each year by Nyamdorj in the run up to the Lunar New Year</p>
<p>Medals</p>	
<p>Paraphernalia</p>	
<p>Key rings</p>	
<p>Wolf teeth</p>	
<p>Platinum cups for chemical labs</p>	

Product

Example Products and markets

Wall hangings



Figure 23 Brass wall-art by students in lapidary at the Gandhi School of Production and Arts

Annex 3: Itinerary
