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JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
MINISTRY OF INFRASTRUCTURE DEVELOPMENT
MONGOLIA

THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA

FINAL REPORT
Volume I
Cuerrent Situation

JULY 1999

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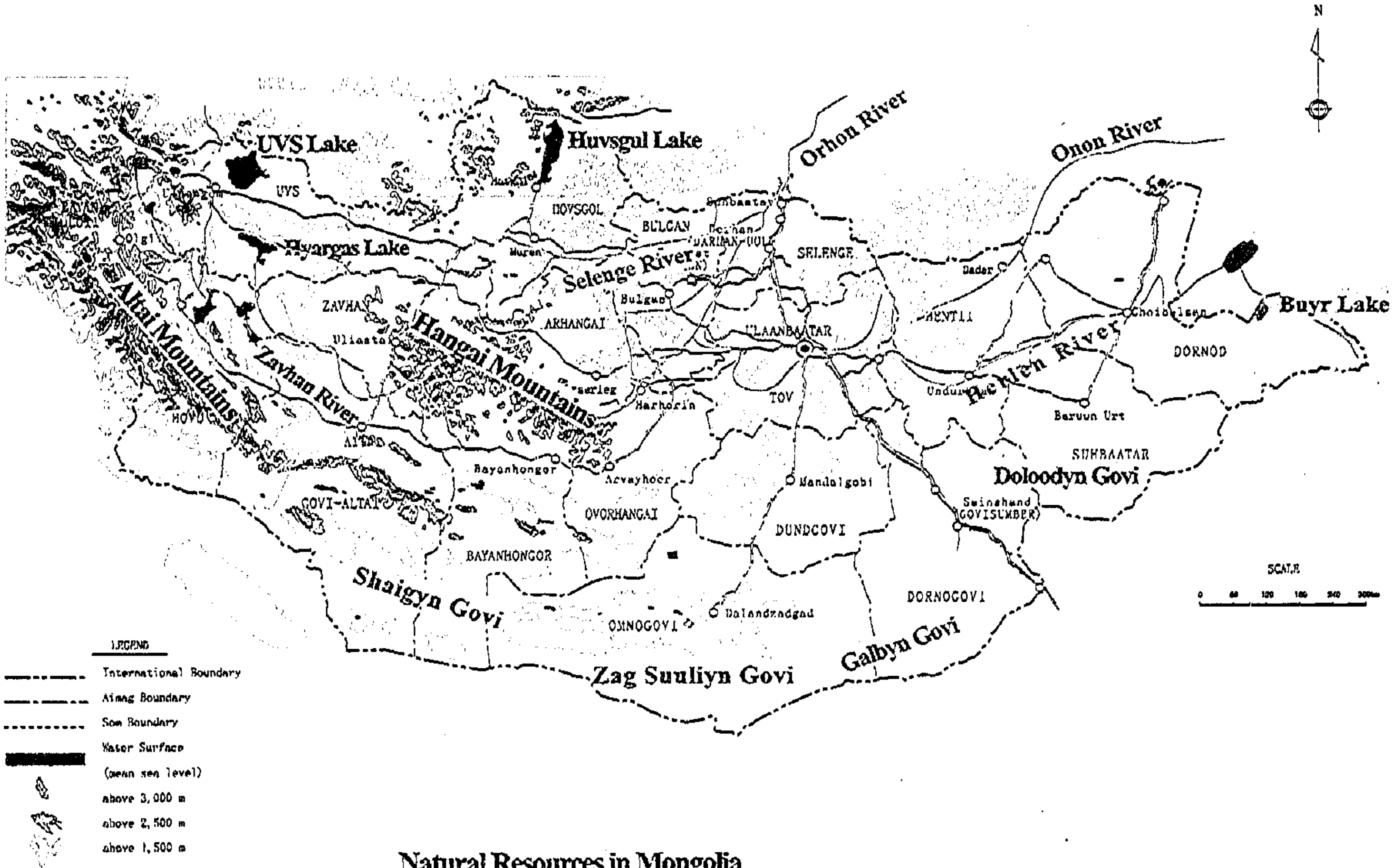

Natural Resources in Mongolia

The Master Plan
on
National Tourism Development
in
Mongolia

Final Report

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ABBREVIATIONS

AAGR	Average Annual Growth Rate
ADB	Asian Development Bank
ALS	Average Length of Stay
ASTA	American Society of Travel Agents
BFI	Board of Foreign Investment
BOT	Build Operate Transfer
CATV	Cable TV
CES	Central Energy System
DANIDA	Danish International Development Agency
DOT	Department of Tourism
FDI	Foreign Direct Investment
EIA	Environmental Impact Assessment
ESCAP	Economic and Social Commission for Asia and the Pacific
EU	European Union
FC	Foreign Currency
GDP	Gross Domestic Products
GNP	Gross National Products
GTZ	Deutsche Gesellschaft fuer Technische Zusammenarbaeit (German Agency for Technical Co-operation)
ICAO	International Civil Aviation Organization
IDD	International Direct Dialing
IEE	Initial Environmental Examination
IMF	International Monetary Fund
ITDIJ	International Tourism Development Institute of Japan
ITB	International Tourismus-Boerse (Berlin)
JICA	Japan International Co-operation Agency
JES	Japan Euro-Asia Service
JTB	Japan Travel Bureau
JATA	Japan Association of Travel Agents
JNTO	Japan National Tourist Organization
LC	Local Currency
LEIAC	Licensed Environmental Impact Assessment Company
LG	Local Government
MIAT	Mongolian Airlines
MID	Ministry of Infrastructure Development
MNE	Ministry of Nature and Environment
MOTA	Mongolian Organization of Travel Agents
MCCI	Mongolian Chamber of Commerce and Industry
MTA	Mongolian Tourism Association
NTA	National Tourism Agency
NTAs	National Tourism Administration
NTC	National Tourism Center
NTO	National Tourism Organization
NCP	National Conservation Parks

NGO	Non Government Organization
OM	Operation and Maintenance
PA	Protected Area
PAA	Protected Area Administration
PAB	Protected Area Bureau
PATA	Pacific Asia Travel Association
SC	Steering Committee
SPA	Strictly Protected Area
SIT	Special Interest Tour
TACIS	Technical Assistance to the Commonwealth of Independents States
TCIA	Turkish International Cooperation Agency
TD	Tourism Department
TOG	Togrog
UB	Ulaanbaatar
UNDP	United Nations Development Program
WTM	World Tourism Market (London)
WTO	World Tourism Organization
WWF	World Wide Fund for Nature

1. INTRODUCTION

1.1 The Study

1.1.1 Study Background

Mongolia's international tourist market has shown a healthy growth and international arrivals to Mongolia exceeded 80 thousand in 1997 amid increasingly competitive international tourism market place. The government has recognized the importance of tourism as one of the engines of economic development. In this context, the Government of Mongolia decided to prepare a tourism master plan and requested the Government of Japan for technical assistance in November 1996.

In response to the request of Government of Mongolia, the Government of Japan has decided to conduct the study on National Tourism Development in Mongolia (hereinafter referred to as "the Study"), and entrusted the execution of the study to the Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for implementation of the technical cooperation programs of the Government of Japan. On October 21,1997, the Ministry of the Infrastructure Development (MID) and JICA agreed on the Scope of Work for the Study. Subsequently, JICA engaged a consortium of PADECO Co., Ltd. and Nippon Koei Co., Ltd., both of Tokyo, Japan, to carry out the surveys and studies defined in the Scope of Work. The consortium organized a team of experts (the Study Team) for the purpose.

The Study Team was dispatched to Mongolia twice. The first field work was conducted from 27 March 1998 to 25 May 1998 and the second field work was commenced from 1 July 1998, continued until the end of November 1998. The homework was conducted from the beginning of December 1998 till February 1999 to finalize the Study in Japan.

Since the commencement of the Study, the Inception Report, the Progress Report (1), the Interim Report, and the Progress Report (2) were submitted to the Government of Mongolia in March, May, October, and December 1998 respectively. This Draft Final Report is prepared at the end of the Study, for the explanation of the overall development plan of the Mongolian tourism development.

1.1.2 Study Organization

The Tourism Department of MID is designated as the counterpart organization to the Study, and a Steering Committee (SC) was organized to steer and cooperate with the Study Team. The members of the Steering Committee are listed in the Appendix 1.1.1. JICA also formulator an advisory committee for the study in Japan in order to supervise the members of the Study Team and the committee are listed in Appendix 1.1.1.

The Study Team, led by Mr. Y. Motomura, was organized with 16 specialists and experts to study every aspect of tourism necessary for the Mongolian tourism development. A list of members of the Study Team is shown in Appendix 1.1.1.

1.2 Objectives of the Study

The objectives of the Study are;

- to formulate a national tourism development master plan: basic policies, a tourism development master plan with the target year of 2015, and implementation plan for priority project(s)/program(s) with the target year of 2005
- to formulate a tourism development plan for selected model areas, including a tourism development master plan with the target year 2015, and feasibility study for priority project with the target year of 2005, under the framework of the master plan

1.3 Methodology

1.3.1 Conceptual Framework

Development of the tourism sector is a result of complex interactions among various factors, which can be classified into those of demand and of supply. For example, the number of tourists arriving in Mongolia in any particular season is restricted by the number of airline seats available at that time. The airline in turn attempts to provide seats not too many or not too few, anticipating and reacting to the demand. The Study Team adopted an approach that tries to recognize such interactions explicitly. In the field of international tourism this approach is all the more important, as the host country has little leverage over demand generated in source countries. Policies, therefore, should be demand-driven rather than supply-driven, which had been the hallmark of a command economy.

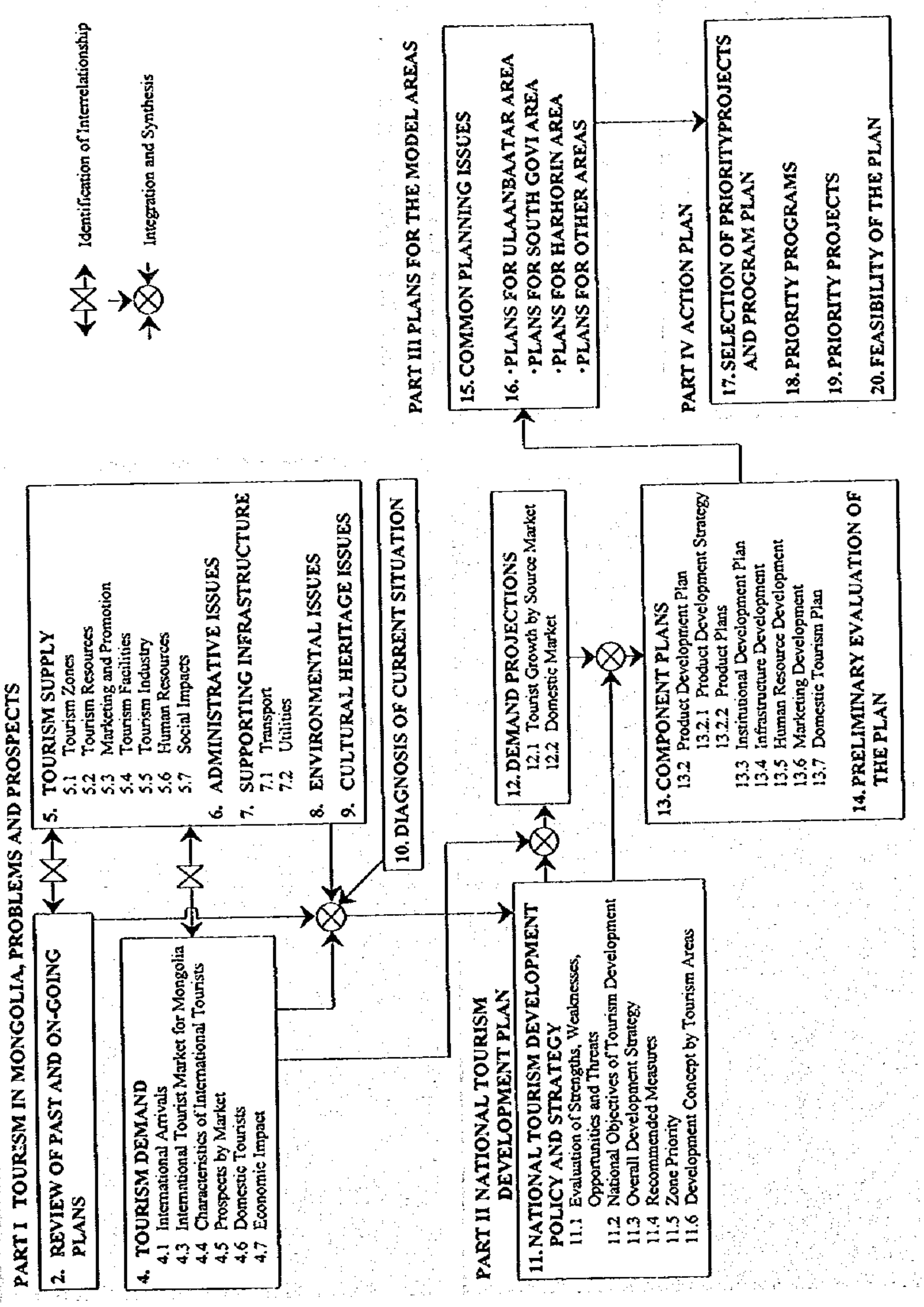
Figure 1.3.1 illustrate the conceptual framework of this study as appears in this report.

1.3.2 Methods and Data Sources

Methods and data sources utilized in this study include the following:

- All of the twelve tourism zones in Mongolia were visited by members of the Study Team, some several times, to assess their respective potential.
- All reports of relevant past studies and plans were collected and reviewed.
- Statistical data from various ministries were assembled and analyzed.
- A large number of government officials and private sector managers were interviewed.
- The following surveys were carried out:
  - Interviews in Mongolia to international tourists exceeding 2000 in number.
  - Interviews to tour operators and agents in Japan
  - Interviews to tour operators and agents in Mongolia
  - Collection of travel brochures featuring Mongolia in Western Europe

Figure 1.3.1 Conceptual Methodology



1.4 Report Organization

This Final Report comprises five parts as described below.

Executive Summary: presents a summary of the report.

Volume I: concludes the analysis of problems and prospects of Mongolian tourism. A detailed study on the present conditions concerning tourism demand, tourism supply, and administrative as well as cultural heritage and resource issues are presented.

Volume II: presents a national tourism development plan of Mongolia, including development policies and strategies, tourism demand projections, tourism product plans, institutional development plans, human resources development plans, marketing development plans, and infrastructure development plans and proposes tourism development plans of three model areas of UB, Harhorin and OmnoGovi. Plan structure and land use, infrastructure development plan, etc. are presented.

Volume III: The priority projects and programs selected and planned in detail in this part. Feasibility of the priority projects are analyzed.

Volume IV Appendixes: Supplemental information and background data are compiled in this volume.

PART I

TOURISM IN MONGOLIA

PROBLEMS AND PROSPECTS

2. MONGOLIA TODAY

2.1 Land and People

2.1.1 Geography in Mongolia

1) Geographical Characteristics

Mongolia has an area of 1,566.5 thousand km^2 and 8,114 km borders including a 3,441 border with the Russian Federation in the north and a 4,673 km border with China in the south. The country extends almost 2,400km east and west. From north to south it can be divided into four areas: mountain-forest steppe, mountain steppe, semi-desert and desert (the latter being about 3% of the entire territory). The majority of the country has a high elevation, with the principal mountains concentrated in the west. The highest point is Nairamdal peak in the Altai Mountains at 4,370m. The lowest point, Lake Khoch Nuur in the east, lies at 560m. There are several hundred lakes in the country and numerous rivers, of which the Zavhan is the longest at 1,300km.

The western half of Mongolia is very mountainous. Dense forests and grasslands cover large areas of this region. The vast grasslands of the Asian Steppe stretch across the eastern part of the country. The steppe descends into the Govi Desert that extends through southern Mongolia and into northern China. The Govi is mostly gravel. Desert comprises 3 per cent of Mongolia's territory and receives less than 100 mm of rainfall per year.

Roughly 80% of the land can be used for a range of agricultural activities, but out of the total 1,236.0 thousand km^2 of arable land, only 13.6 thousand km^2 (0.9 % of total land) was used for agriculture in 1992, mainly in the northern central region (Table 2.1.1). Forests cover nearly 10 per cent of the country (144.0 thousand km^2).

Table 2.1.1 Land Use Classification (1992)

	Area (1,000 km^2)	Ratio (%)
Total Land Area	1,566.5	100
Agricultural Land	1,236.0	78.9
of which "Arable Land"	(13.6)	(0.9)
of which "Natural Pasture"	(1,222.3)	(78.0)
Forest	144.0	9.2
Others	186.5	11.9

Source: Institute of land policy

Five or six major physical regions can be distinguished by their surface characteristics. These regions have contrasting climates and different ground covers, population densities and ways of utilizing the land. These features are summarized in the Table2.1.2, showing approximate areas in Figure 2.1.1.

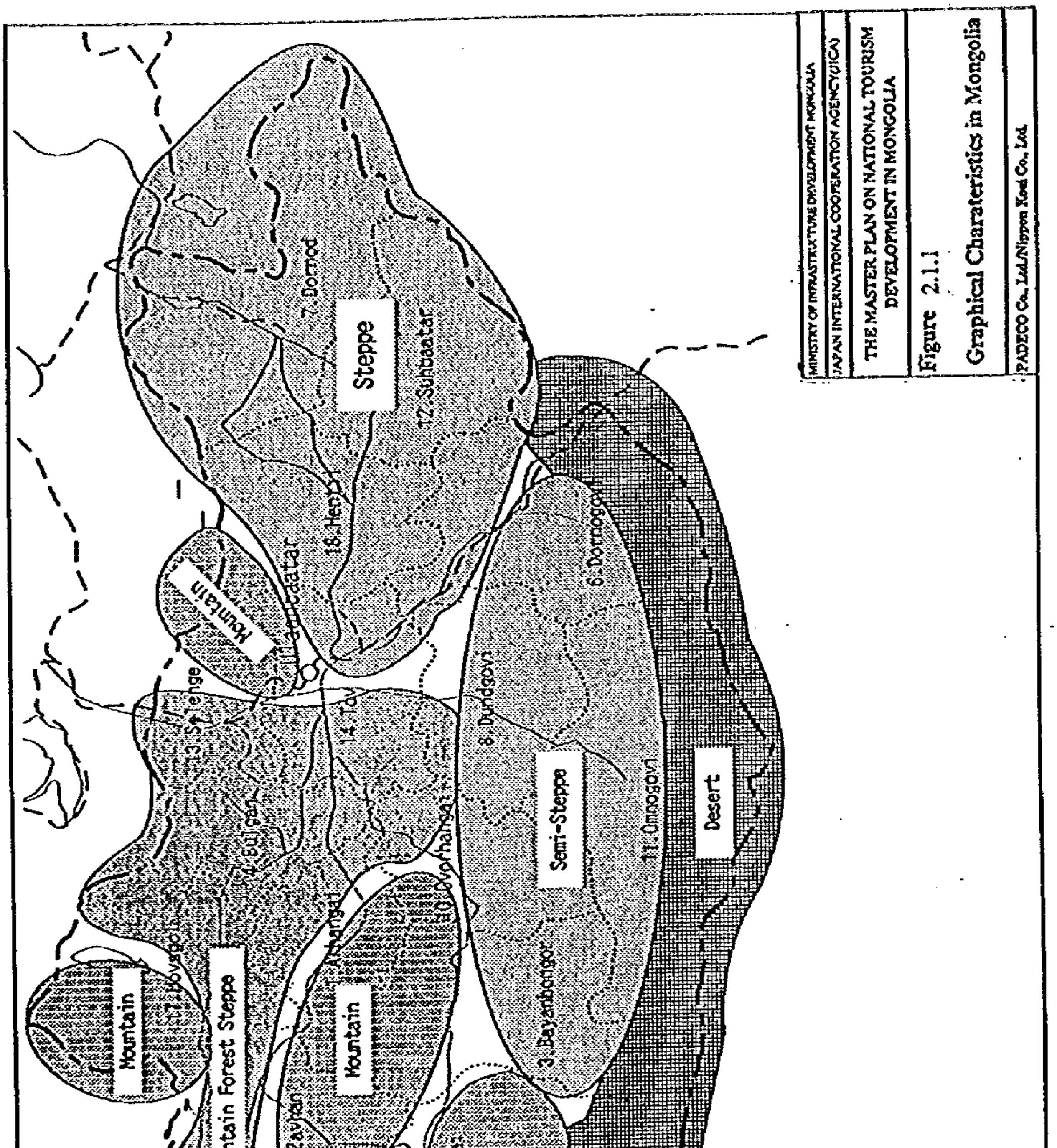
Table 2.1.2 Characteristics of Regions in Mongolia

Region	Characteristics
1.Desert	• Spread out over the most southern sliver of the Govi Desert and stretching into China, this zone has very little vegetation, livestock, wildlife, population or rain.
2.Semi-Steppe	• This includes the lower-lying areas of western Mongolia and most of the Govi (expect for the far southern section). Covering about 20% of the country, this dry and sparsely populated zone has salt lakes and sand dunes.
3.Mountain	• This zone covers the Hangai and Mongol Altai mountains in Arhangai, Hovd and Bayan-Olgii provinces. It is very cold and wet all year and sparsely populated, but home to some of the country's most endangered animals.
4.Mountain Forest Steppe	• These grasslands are found in the central and northern provinces (dominated by the Orhon and Selenge river), and in the western provinces of Hovd and Bayan-Olgii. The zone covers about 25% of Mongolia, is home to gazelles and antelopes, and has relatively high numbers of people and livestock.
5.Steppe	• This is spread over the southern part of Tov province and most of eastern Mongolia. Covering about 20% of the country, it is home to vast numbers of gazelles, bird life and livestock, but is sparsely populated.
6.Taiga	• This small area of larch and pine forests is found in Hentii province, around Hovsgol Nuur lake, and stretches into Siberia. It is also wet and cold.

Source: General Organization of Remote Sensing, "Mongolia Space Image Atlas, 1996", etc.

2) Climate

Mongolia shows the extremes of temperature between the long, cold, dry winter and the short, hot summer during which most of the year's precipitation falls. In Ulaanbaatar the July temperature averages 17°C and the January temperature minus 26°C. Annual precipitation is variable but light. Ulaanbaatar's average rainfall is 233mm, with 73mm of rain in July. In the Govi, summer temperatures hit 40°C, but winter winds often send them to minus 30°C or lower. Climatic conditions at selected areas are shown at Figure 2.1.2.



MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA
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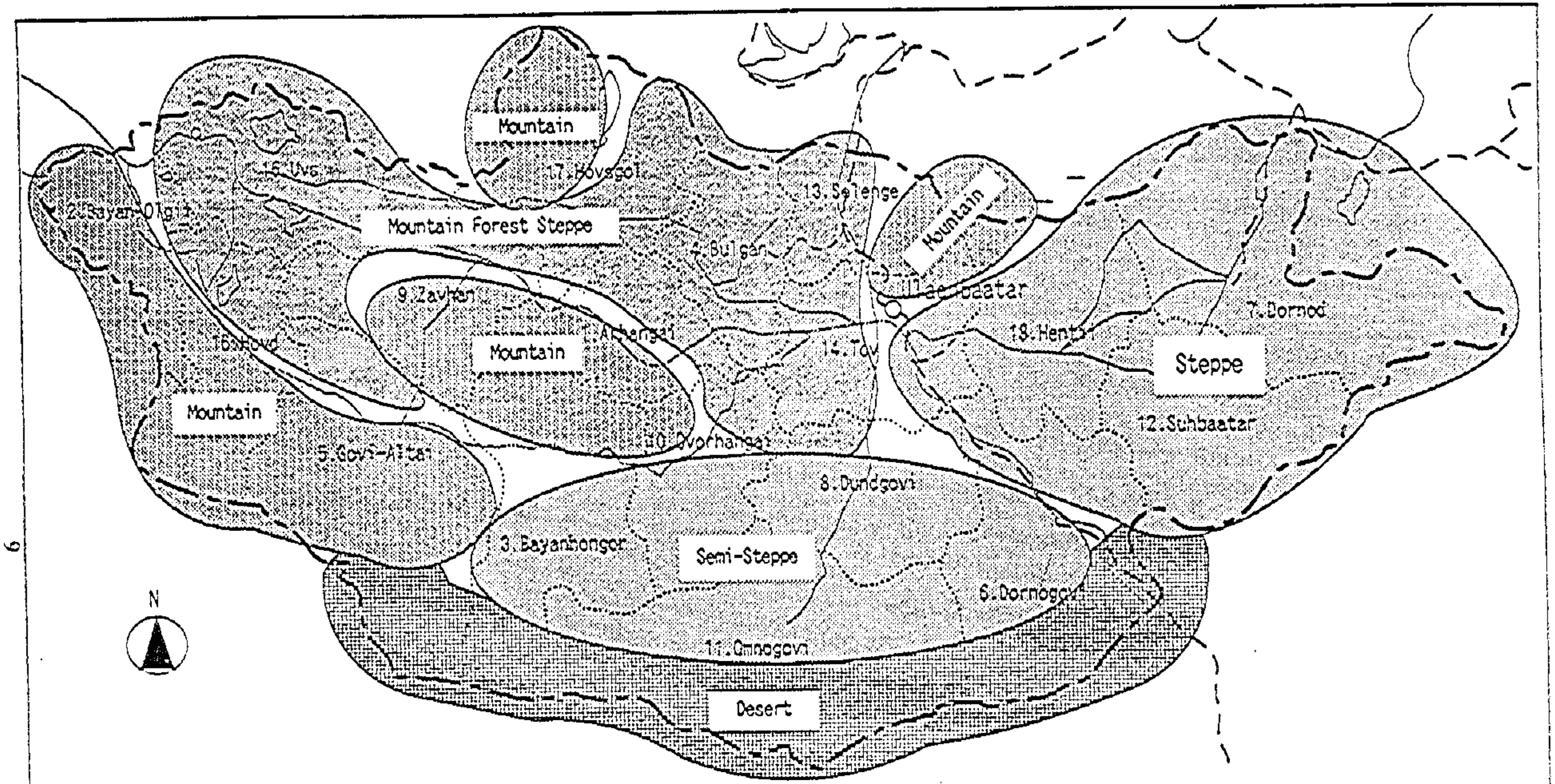
Figure 2.1.1
Graphical Charateristics in Mongolia
PADECO Co., Ltd./Nippon Koei Co., Ltd.



MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA

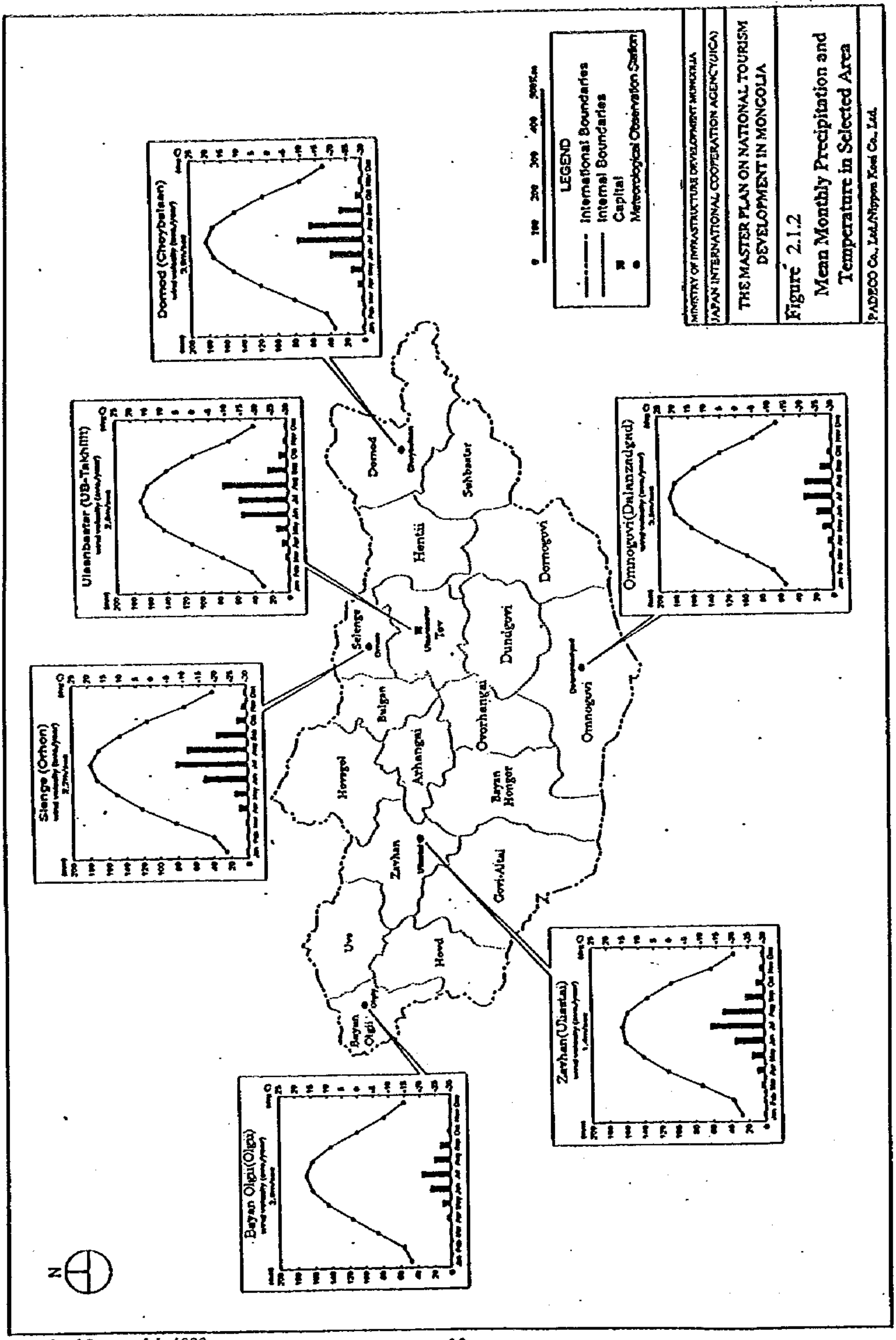
JAPAN INTERNATIONAL COOPERATION AGENCY(JICA)

THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA

Figure 2.1.1

Graphical Charateristics in Mongolia

PADECO Co., Ltd./Nippon Koei Co., Ltd.


LEGEND
International Boundaries
Internal Boundaries
Capital
Meteorological Observation Station
MINISTRY OF INFRASTRUCTURE DEVELOPMENT MONGOLIA
JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)
THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA
Figure 2.1.2
Mean Monthly Precipitation and Temperature in Selected Area
PADECO Co., Ltd./Nippon Koei Co., Ltd.
Domod (Choybalsan)
Ulaanbaatar (UB-Takhilt)
Slenge (Orhon)
Omnogovi (Dalanzadgad)
Zavhan (Uliastai)
Bayan Olgii (Olgii)
Dornod
Suhbaatar
Hentii
Dornogovi
Selenge
Tov
Dundgovi
Bulgan
Ovorhangai
Omnogovi
Hovsgol
Arhangai
Bayan Hongor
Zavhan
Govi-Altai
Uvs
Hovd
Bayan Olgii
N

2.1.2 Demography

1) Population

Mongolia is very sparsely inhabited. The population was 2,353.3 thousand in 1996, or 1.5 persons per sq. km. The population over the past 25 years Mongolia has had relatively high population growth rates in the world, being estimated at 2,387.0 thousand at the end of 1997 having increased by 33.8 thousand that same year. Census population shows 1,682.0 thousand, 2,149.3 thousand and 2,353.3 thousand in the years 1980, 1990 and 1996 respectively, and an average annual growth rate between 1970 and 1996 at 2.4 per cent. The Mongolian population can be characterized as being very young. In 1997's estimated population, nearly 48.3 per cent (1,132.5 pop.) was under the age of 20, and 36.0 per cent was under 15, while persons aged 15 to 64 was 60 per cent. The year-end population between 1970 and 1997 is shown in Table 2.1.3.

Table 2.1.3 Estimated End-year population between1970 and 1997

(Unit: thousand persons)

Year	1970	1980	1985	1990	1995	1996	1997
Year-end population	1,265.4	1,682.0	1,900.6	2,149.3	2,317.5	2,353.3	2387.0
Avg. Annual Growth Rate	---	2.88%	2.47%	2.49%	1.52%	1.54%	1.43%

Source: National Statistical Office of Mongolia, "Mongolian Statistical Yearbook, 1997", Ulaanbaatar, 1998

The population is concentrated in the capital city, Ulaanbaatar, in the center of the country. Of the total population in 1997 (Mongolian citizens and permanent foreign residents), more than 52.2% (1,226.3 thousand pop.) lived in urban areas, with more than half of these in the Capital (654.6 thousand or 52% of urban population). There is a definite shift towards living in permanent settlements in rural areas, driven by a national policy to encourage capital investment in rural development. (See Table 2.1.4)

Table 2.1.4 Population Changes by Aimag and Capital City (permanent population)

(Unit: thousand persons)

Aimag	1985	1997	A.A.G.R	Aimag	1985	1997	A.A.G.R
1. Arhangai	81.5	103.5	2.09%	14.Tov	93.8	113.8	1.62%
2. Bayan-Olgii	84.4	94.1	0.91%	15.Uvs	80.3	101.8	2.00%
3. Bayanhongor	71.4	90.9	2.03%	16.Hovd	70.2	93.0	2.37%
4. Bulgan	48.9	65.2	2.43%	17.Hovsgol	97.4	122.7	1.94%
5. Govi-Altai	61.9	75.2	1.63%	18.Hentii	62.2	77.3	1.83%
6. Dornogovi	50.8	49.4	-0.23%	**Capital city**			
7. Dornod	67.6	83.7	1.80%	1.Darhan-Uul	67.0	92.5	2.72%
8. DundGovi	45.9	53.9	1.35%	2.Ulaanbaatar	485.3	645.6	2.40%
9. Zavhan	86.5	106.4	1.74%	3.Orhon	33.3	70.8	6.49%
10.Ovorhangai	92.7	115.6	1.86%	4.Govisumber	---	13.1	----
11.Omnogovi	38.6	45.7	1.42%	Total	1,847.4	2,379.6	2.13%
12.Suhbaatar	48.3	59.8	1.80%				
13.Selenge	79.4	105.5	2.40%				

Notes: A.A.G.R. means "Average Annual Growth Rate."

Source: ibid.

2) Ethnic Divisions and Religions

About 87% of the population are Mongols, of which the majority belong to the Khalkha group. The only important non-Mongol element in the population is that of the Kazaks, a Turkish-speaking people dwelling in the far west, and representing approximately 6% of the whole. The majority of Mongolian nationals are Buddhist Lamaism.

2.2 Social and Economic Development

2.2.1 Administrative Structure

The central government is headed by the President and supported by the Prime Minister and 9 other Ministers. It consists of the Prime Minister's Office and 9 ministries. (See Chapter 6 for details.) The territories of Mongolia are administratively divided into 18 provinces (aimag) (Refer to Table 2.2.1). Each aimag is generally divided into Sums that are further divided into smaller administrative units, called bags (groups). The capital city has districts and sub-districts. Other cities have only sub-districts.

Table 2.2.1 Administrative Units in Mongolia

Aimag and City	Area Size (km^2)	Number of Sums or Districts	Population in 1996 (x1,000)	Name of the Capital	Aimag Center Population (x1,000)		Distance (km) from Ulaanbaatar
					1996	1997	
Aimag							
1. Arhangai	55	17	104.0	Tsetserleg	20.3	17.3	453
2. Bayan-Olgii	46	12	91.6	Olgii	21.1	21.2	1636
3. Bayanhongor	116	19	90.5	Bayanhongor	23.0	23.5	630
4. Bulgan	49	15	64.1	Bulgan	13.6	15.3	318
5. Govi-Altai	142	17	74.8	Altai	17.1	17.8	1,001
6. Dornogovi	111	13	48.8	Sainshand	18.4	18.1	463
7. Dornod	124	14	85.5	Choibalsan	41.0	39.3	655
8. Dundgovi	78	15	53.4	Mandalgovi	11.2	11.0	260
9. Zavhan	82	23	106.5	Uliastai	24.5	24.1	984
10.Ovorhangai	63	18	113.8	Arvaiheer	20.7	20.9	430
11.Omnogovi	165	14	45.5	Dalanzadgad	12.8	12.4	553
12.Suhbaatar	82	12	59.5	Baruun-Urt	15.7	15.2	560
13.Selenge	43	12	104.3	Suhbaatar	20.7	22.1	311
14.Tov	81	26	112.3	Zuunmod	17.7	16.8	43
15.Uvs	69	19	102.9	Ulaangom	28.9	25.4	1,336
16.Hovd	76	16	91.8	Hovd	26.6	27.3	1,425
17.Hovsgol	101	21	121.3	Moron	23.3	25.4	671
18.Hentii	82	19	76.3	Ondorhaan	16.7	16.5	331
Total	1,565	302	1,546.9		373.3	369.6	----
Cities							
1.Darhan-Uul	0.2	7	90.9	----			219
2.Ulaanbaatar	2.0	9	629.2	----			---
3.Orhon	0.06	4	67.3	----			371(Erdenet)
4.Govisumber	----	3	12.8	----			240(Choyr)
Total	2.26	23	800.2	----	----	-----	----

Source: National Statistical Office of Mongolia, "Mongolian Statistical Yearbook, 1997", Ulaanbaatar, 1998.

2.2.2 Economic Structure

1) National Economic Condition

Mongolia has a severe climate, dispersed population and wide expanses of unproductive land. Economic activities primarily focus on agriculture, breeding of livestock, and mineral products. Until 1990, Mongolian economic development had been directed by a series of Soviet-style central plans, and in the 1970s, mineral resource development had been conducted with the assistance of the Soviet Union, Czechoslovakia and Bulgaria.

Since 1990, Mongolia's economy has suffered substantially due to the withdrawal of Soviet aid for development. However, liberalization seems to have put its positive effect on the economy at last, starting from boosting small-scale agricultural output; both agricultural and industrial growth has been positive since 1994. The decline in GNP, the devaluation of the togrog (Tog) and continued rapid population growth contributed to a decline in real incomes after 1990. By 1996, the average monthly earnings of an urban family were Tog. 40,000 and of a rural family Tog. 30,000. An estimated 36% of the population lives in poverty.

In 1997, the GDP was estimated at 737.0 billion Tog. at current price. The private sector contributed almost 80 per cent of consumption in 1997. The share of Government consumption expenditure became nearly half (15.8%) in 1997 of that in 1993 (26.6%) (Table 2.2.2). The domestic economy relies mainly on seasonally fluctuating agricultural output. In 1993-97, Mongolian real economic growth (GDP) averaged 3.6% per annum (Table 2.2.3).

Table 2.2.2 Consumption Expenditure in percent of GDP

(Unit: percent)

Year	1991	1993	1995	1997
Consumption	90.9	87.6	78.2	80.7
Private	65.8	61.0	63.0	64.9
Government	25.1	26.6	15.2	15.8

Source: ibid.

Table 2.2.3 Trend of GDP in Mongolia (at constant prices of 1993)

(Unit: billion Tog.)

Year	1985	1990	1993	1996	1997	Average Annual Growth Rate(%)			
						1985-90	1990-93	1993-96	1996-97
GDP	172.7	208.6	166.2	185.1	191.1	3.8%	- 7.3%	3.7%	3.2%

Source: National Statistical Office of Mongolia, "Mongolian Statistical Yearbook, 1997", Ulaanbaatar, 1998

The share of GDP by sector at 1993 constant price indicates that the products of the agriculture sector in 1997 occupied 36.9 per cent of the total GDP, followed by the industry sector (32.3%) and trade sector (14.9%). All sectors including industry and agriculture have maintained similar shares of GDP from 1991 to 1997 (Table 2.2.4). The growth rate of GDP by sector is shown in Table 2.2.5.

Table 2.2.4 GDP Share by Sector at 1993 Constant Price

(Unit: percent)

Sector	1991		1993		1995		1997	
Gross Domestic Product	Billion togrog	Share (%)	Billion togrog	Share (%)	Billion togrog	Share (%)	Billion togrog	Share (%)
	189.3	100.0	166.2	100.0	180.8	100.0	191.4	100.0
1. Industry	60.7	32.1	51.3	30.9	59.9	33.1	61.9	32.3
2.Agriculture	61.2	32.3	58.3	35.1	62.5	34.6	66.6	34.8
3.Construction	6.0	3.1	2.7	1.6	3.3	1.8	3.7	1.9
4.Transport	7.2	3.8	5.4	3.2	5.2	2.9	6.0	3.1
5.Communication	2.7	1.4	2.3	1.4	2.2	1.2	2.5	1.3
6.Trade	32.6	17.2	26.5	15.9	26.6	14.7	28.6	14.9
7.Others	3.0	1.6	3.8	2.3	4.5	2.5	4.3	2.2
8.Service	16.0	8.5	15.8	9.5	16.6	9.2	17.8	9.3

Source: State Statistical Office of Mongolia, 1997

Table 2.2.5 GDP Growth Rate by Sector at 1993 Constant Price

(Unit: percent)

GDP value added	1991	1993	1995	1997
1. Industry	-12.5	-6.4	14.8	2.8
2.Agriculture	-4.4	-2.7	4.2	2.7
3.Construction	-16.5	-16.2	10.6	5.3
4.Transport	-43.2	-9.5	-2.1	2.5
5.Communication	-22.9	8.6	1.2	5.1
6.Trade	-12.2	5.3	0.1	4.8
7.Others	8.5	7.2	2.3	1.1
8.Service	32.0	-4.2	0.5	3.4
Total Value added	-9.2	-3.0	6.3	3.1

Source: ibid.

As shown in Table 2.2.6, in 1997 export sectors earned a 464.1 million US dollars and import sectors spent a 544.9 million US dollars. As a result, the trade balance in 1997 marked a deficit of 86.7 million US dollars. In export, "mineral product" has the largest share at about 55.7 per cent of total export values in 1997 and is the country's largest source of foreign currency. Mongolia's foreign trade earnings depend upon mineral products. In import, the major commodities are "machinery and equipment" and it shares about 40.2 per cent of all expenditure in 1997, followed by "mineral product" (15.9%), compared with 22.7 per cent and 19.6 per cent, respectively.

Table 2.2.6 Trend of Composition by Value of Exports and Imports in Mongolia

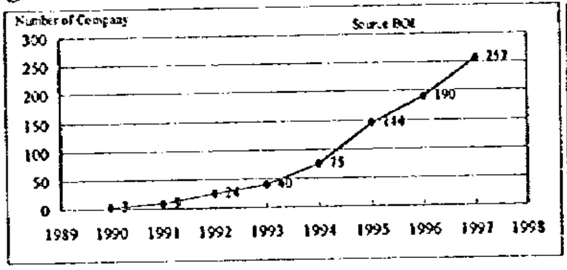
(Unit: percent)

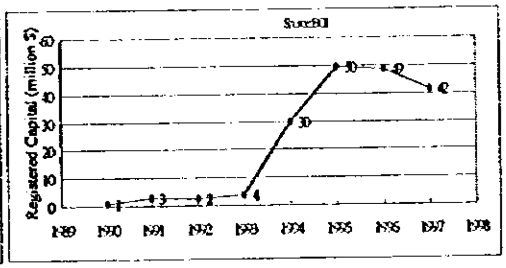
	1992	1993	1994	1995	1996	1997
Exports	100.0	100.0	100.0	100.0	100.0	100.0
1. Mineral Product	50.2	48.9	63.4	65.5	57.2	55.7
2. Textiles & articles	21.4	19.9	17.3	17.1	24.4	21.4
3. Raw & processed hides skins	8.6	11.1	7.4	5.0	5.4	5.9
4. Base metals & articles thereof	3.1	6.1	2.4	3.6	3.8	4.8
Imports	100.0	100.0	100.0	100.0	100.0	100.0
1. Machinery, equipment, electric appliances, T.V., etc.	26.9	16.1	20.8	20.5	22.7	40.2
2.Mineral product	23.5	28.8	29.2	20.0	19.6	15.9
3.Auto, air and spare parts, etc.	10.8	6.2	15.1	15.2	17.1	7.9
4.Vegetable origin product	2.9	10.4	2.1	3.7	7.8	5.6

Source: ibid.

Foreign Direct Investment (FDI) in Mongolia by non-Soviet block economies began with the introduction of the market oriented economy in 1990. The total number of companies invested in Mongolia and total investment capital marked approximately 260 and 40 million US$ respectively in 1997 as shown in Figure 2.2.1. The number of companies is rapidly increasing while the investment capital shows a gradual decline recently.

Figure 2.2.1 Trend of FDI in Mongolia





The second largest source of investment capital came from Japan, recording US$25 million, equivalent to 14 % of the total FDI (Table 2.2.7). The tourism sector received 25 FDIs with US$9 million, equivalent to 5 % of total FDI on an investment capital basis (Table 2.2.8).

Table 2.2.7 FDI in Mongolia by Country

Country	Number of Company	Registered Capital (1,000US$)	Registered Capital per Company (1,000US$)
1 China	216	36,028	167
2 Japan	56	25,101	448
3 Russia	143	22,255	156
4 Portugal	1	13,606	13,606
5 South Korea	56	11,608	207
6 USA	26	11,606	446
7 Hongkong	16	11,052	691
8 Others	228	48,107	211
Total	742	179,363	242

Notes: FDI during 1990-1997
Source: BOI

Table 2.2.8 FDI in Mongolia by Industrial Category

Category of Industry	Number of Company	Registered Capital (1,000US$)	Resistered Capital per Company (1,000US$)
1 Geological exploiration	83	32,776	395
2 Processing of raw materials	61	21,377	350
3 Construction & materials	99	21,078	213
4 Light industry	39	19,442	499
5 Culture, education, science & press	36	16,228	451
6 Trade & catering	113	14,012	124
7 Telecommunication	19	12,887	678
8 Foods and beverage	69	11,725	170
9 **Tourism**	25	9,024	361
10 Transport	62	6,015	97
11 Banking and financial services	7	3,952	565
12 Agriculture and animal husbandry	32	2,748	86
13 Others	97	8,099	83
Total	742	179,363	242

Note: FDI during 1990 – 1997. "Tourism Industry" above includes hotel management, restaurant, casino, and export & import business companies.

Source: BOI

Steps towards privatization of state-owned enterprises and other economic reforms continued with the introduction in 1991, which became the cornerstone of the government's turn towards the private sector. Some 44 percent of state-owned assets were transferred to the private sector. Privatization has positively affected the development of small and medium sized enterprises, providing strong incentives for establishment of new businesses. In the industry and tourism sectors, joint ventures between the public and private sectors have become more common.

Starting in 1997, the government adopted a new "privatization program for 1997-2000" aimed at furthering the market economy. The program includes an "A list" of assets schedule of disposal. Large firms slated for sale include Ulaanbaatar Railway, Bayaon Oil, MIAT, the post office, and a number of export/import and construction companies.

The Selenge-Tuul basin in the Hangai-Hentii mountain range is Mongolia's most populous and productive region, and has received the bulk of investment. Elsewhere, geographic and climatic conditions, distance and poor communications with the capital have severely limited economic prospects. In the south and east of the country is the Govi desert; in the east, a high plateau stretching to the Chinese frontier. In the west of the country is the mountainous Altai region, bordered on the East Side by a depression full of salt- and freshwater lakes. An uneven distribution of water is a further constraint on growth, as is the susceptibility of some regions to drought or earthquakes. However, recent investments in regional energy, transport and mineral projects are expected to bring improvements.

3. REVIEW OF PAST AND ON-GOING PLANS

3.1 National Development Plan

The State Committee for Planning and the Economy was responsible for preparing the five-year national economic development plan and the annual national plan. A five-year plan stipulates the planning process, defines the broad strategy for the economy as a whole, as well as specific major investments. However, tourism is not treated as a separate sector in the plan. Major objectives of the current Plan are shown in the table below.

Major Objectives of the Ninth Five-Year Plan

Major Objectives of the Ninth Five-Year Plan:

1 Consolidation of existing economic development;
2 New industrial development and associated development of new towns;
3 Emphasis on construction;
4 Encouragement of home ownership and cultivation of private allotments;
5 Greater international contract; and
6 Introduction of market forces.

Source: State Committee for Planning and the Economy

The Ninth Five-Year Plan was prepared for the period 1991 to 1995. This included a number of tourism projects that are listed in Table 3.2.2. Many projects have not been implemented except for the development of a souvenir factory and the restoration of Amar Bayasgalant and Erdene Zuu

3.2 WTO/UNDP National Tourism Plan of 1989

World Tourism Organization and UNDP jointly conducted the study of Tourism Master Plan of Mongolia in 1989. The progress of plan implementation and policies proposed by the study are summarized in Table 3.2.2. Almost none of the proposed projects were implemented except for a Visitors Center development at Erdene Zuu and an airstrip construction near Amar Bayasgalant.

The development of the Visitor Center at Erdene Zuu is urgent to be implemented in consideration of the present tour activities of foreign tourists in Mongolia.

Table 3.2.1 Official Program of tourism projects 1989 to 1995 in the Ninth Five-Year Plan

Projects		Years	Progress
Ninth Five-Year Plan			
1	Photo-processing laboratory	1989 to 1990	x
2	Factory for making souvenirs	1990 to 1991	O (private)
3	Glasshouses for horticultural produce	1991	n.a.
4	Restoration of Amar Bayasgalant and Erdene Zuu	1991 to 1995	O (part)
5	Historical museum at Gurvan Nuur (Hentii)	1994 to 1995	x
6	Paleontological museum in South Govi	1991 to 1995	x
7	Setting up of an artiste group	1989 to 1990	-
8	Construction of concrete air fields		
	Harhorin	1991 to 1992	x
	Gurvan Nuur (Dadar)	1994 to 1995	x
	Amar Baysgalant	1989 to 1990	x
Post-Ninth Five-Year Plan			
	Garage for 300 to 350 buses	1995 to 1997	x
	Excavation of Harhorin & organization of museums	1996 to 2000	x

Source: State Committee for Planning and the Economy

Note: O: developed x: undeveloped

Table 3.2.2 Recommendation by National Tourism Plan, 1989

	Projects		Years	Progress
1	Tourist accommodation projects			
	1)	Refurbishment of Terelj Hotel	1990-1991	O private
	2)	Expansion of Govi camp	1991	O private
	3)	New camp at Monastai	1991-1993	n.a.
	4)	Second camp Amar Bayasgalant area	1993-1995	O private
	5)	Visitor's center at Erdene Zuu	1993	x
2	Infrastructure projects			
	1)	Airstrip, Amar Bayasgalant area	1993-1995	x
	2)	Local road improvement	1991-1995	some
3	Policy implementation			
	1)	Institutional reorganization		O
	2)	Improvement in services and facilities		O private
	3)	Generation of additional services and activities		O private
	4)	Development of tourist activities		O private

Source: National Tourism Plan, 1989, UNDP/WTO

3.3 GTZ Nature Tourism Development Plan

Deutsche Gesellschaft fuer Technische Zusammenarbeit (GTZ) has been engaged in a joint long-term project with the Mongolian Ministry of Nature and the Environment (MNE) since 1995. The project is scheduled to last approximately 10 years, though the three year first stage of the project has completed in 1998. The second stage is scheduled to start in July 1998.

The main goals of the project are to efficiently protect Mongolia's ecosystems by qualifying the staff of the Protected Area Bureau and park administrations, and by developing sustainable forms of usage in the three model areas of:

- Govi Gurvanssaihan National Park
- Khan Hentii Strictly Protected Area
- Gorhi Terelj National Park.

At the end of the first stage of the study, two experts dispatched from GTZ presented an intermediate report titled "The Development of Ecotourism in the Protected Areas of Govi Gurvanssaihan, Gorhi Terelj and Khan Hentii". In the report, tourism use potential of the three model areas is evaluated and ecotourism concept is recommended. Establishment of a tourism management plan, initiation of ecotourism pilot projects, ecotourism-training program for local government staff, rangers and local guides as well as the local ecotourism groups were recommended.

The principal programs scheduled in the project for the Govi Gurvanssaihan National Conservation Park (GGSNCP) are summarized in the Table 3.3.1.

Table 3.3.1 Principal Programs of the Govi Gurvanssaihan National Conservation Park

	Programs
Actual Results (1995-1998)	- Establish preliminary zones inside the park - Work out "Law on Buffer Zone" - Work out the Government resolution No.29: National Program on the Protected Area. - Furnish the entrance post at Yollin Am - Clarify and approve potential tourism routes and sites - Employ rangers and volunteer rangers and train rangers in tourism - Fix signs to some roads and routes to ensure safety of tourists - Work out Waste Regulation
Plan (1998)	- Work out a regulation on the collection, distribution and expenditure of fees generated from tourism - Develop a project proposal for the establishment of an information center - Produce leaflet and brochures relevant to regulations and rules to be enforced in GGSNCP - Prepare awareness (advertising) board of GGSNCP and set in the Dalanzadgad airport - Setup and furnish entrance and controlling posts - Select a family in order to introduce nomadic way of living and tradition to tourists - Select a proper way to show people's art and culture - Set up and furnish camping and picnic sites - Sign the park border and travelling routes
Plan (1999-)	- Develop monitoring methods for tourism impact for some specific area - Work out the regulation on the services of local people for tourists (horse, camel riding, etc.) - Develop a regulation proposal for leasing some areas to tourism companies - Work out a regulation draft on forming a tourism development fund in the GGSNCP - Establish an information center in Yollin am - Make video movie and slides about GGSNCP - Prepare and train tour guides and issue licenses to work in NP

Source: Report on the GGSNCP Tourism Management Pan Seminar, involving counterparts, May 15-16, 1998, organized by the Protected Areas Bureau The South Govi Protected Areas Administration, The Nature Conservation and Buffer Zone Development Project

3.4 On-going TACIS Tourism Development Project

The study on Development of Tourism for Mongolia has been carried out by TACIS in parallel with the JICA Study. A close cooperation between the two studies has been taken and a clear demarcation in the scope of study is kept.

Objectives of the TACIS Study are summarized below.

1) First Phase of the Project: mid March - mid September 1998

- preparation of tourism legislation, regulations and procedures in particular as assistance to establish the proposed NTC
- introduction of new visitor arrival/departure cards
- provision of equipment for the Tourism Department, and the NTC (when established)
- on-the-job training of present department staff
- execution of a visitor survey
- preparation of a tourism marketing strategy to be finalized in October, 1988

2) Second Phase of the Project: mid September 1998 – mid March 1999

- preparation of statistical data base and tourism information system
- production of a visitor survey report
- production of a training strategy and plan
- marketing strategy including design and production of marketing, promotion and information materials
- preparation of an Mongolian Internet Home Page
- establishment of a new brand/logo and slogans
- production of a information material in respect of Ulaanbaatar tourist trail
- an outline of better presentation of artifacts/exhibits in museums
- participation in tourism fairs in November 1998 (WTM in London) and March 1999 (ITB in Berlin)
- preparation of a model national park plan
- preparation of park plan for the Hovsgol Area
- preparation of a model ger camp (advice to reform)
- training of the TD/NTC staff
- train-the –trainer course for tour guides

3) Third Phase of the Project: mid March 1999 – mid June 1999

- preparation of a tourism development strategy (tourism development plan)
- preparation of a tourism policy paper
- undertaking of a national tourism symposium
- training of the TD/NTC staff

4. TOURISM DEMAND

4.1 International Tourist Arrivals

4.1.1 Foreign Tourists to Mongolia

1) Frontier Arrivals[1]

Before 1990, frontier arrivals to Mongolia were mainly from the Russian Federation (94.9 %) and East and Central Europe (2.8 %). (Table 4.1.1) In 1997 Mongolia received approximately 81 thousands frontier arrivals. The majority of frontier arrivals to Mongolia are from China (40.1 %); with Japan and the Russian Fed being the second and third largest source (13.7 % and 10.9 % respectively). In particular, the arrivals from China jumped dramatically in 1993, but held steady in the last two years.

[1] Frontier arrivals are the number of people entering Mongolia.

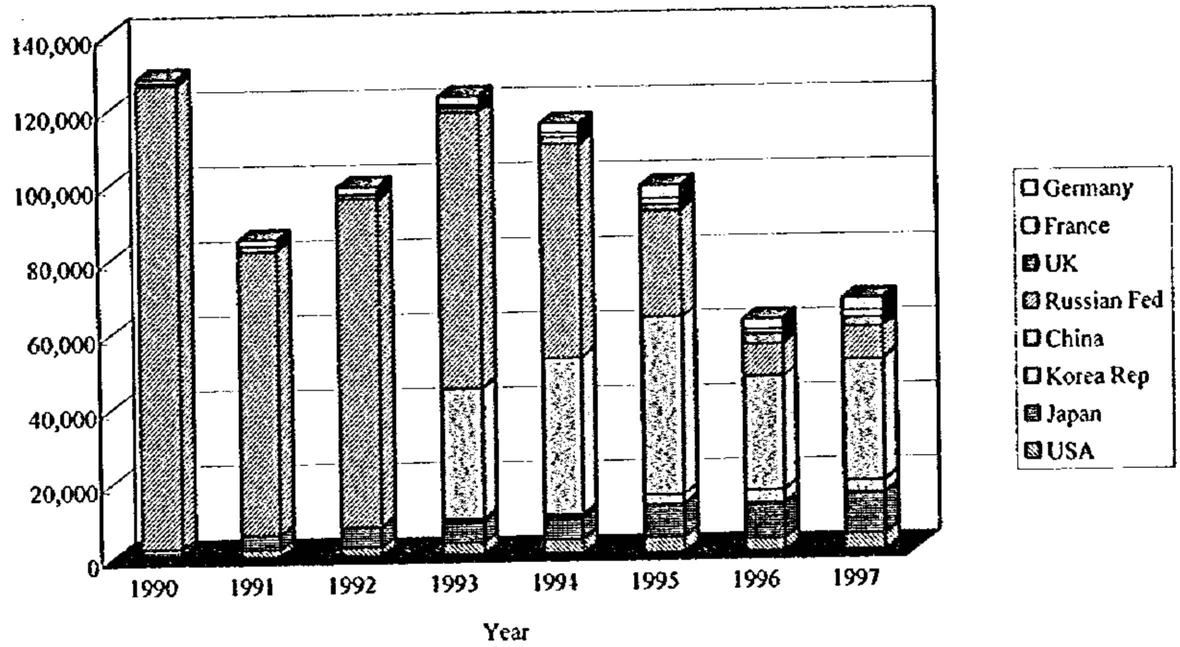
Table 4.1.1 Trends of Frontier Arrivals, 1985-1997

Country / Region	1985	Portion of frontier arrivals in 1985	1990	1991	1992	1993	Portion of frontier arrivals in 1993	1994	1995	1996	1997	Portion of frontier arrivals in 1997	Average annual growth rate (1990-1997)	Average annual growth rate (1993-1997)
Americas*	200	0.1%	100	34	12	17	0.0%	311	335	436	701	0.9%	32.1%	153.4%
USA	1,000	0.5%	800	2,000	2,400	3,200	2.6%	3,799	3,987	3,398	4,318	5.3%	27.2%	7.8%
East Asia/Pacific**	200	0.1%	100	23	49	250	0.2%	831	965	558	1,650	2.0%	49.3%	60.3%
Japan	300	0.1%	1,700	3,900	5,300	5,600	4.5%	5,725	8,976	9,504	11,077	13.7%	30.7%	18.6%
Korea Rep	0	0.0%	0	0	0	700	0.6%	911	2,561	3,537	3,294	4.1%		47.3%
China	0	0.0%	0	0	0	35,100	28.0%	42,043	47,721	30,478	32,531	40.1%		-1.9%
Australia	0	0.0%	0	0	0	500	0.4%	979	892	656	1,004	1.2%		19.0%
Cen/East Europe***	6,000	2.8%	8,800	3,900	1,300	610	0.5%	1,036	1,441	1,755	2,538	3.1%	-16.3%	42.8%
Russian Fed	204,300	94.9%	124,000	76,100	88,000	73,800	58.8%	57,171	28,390	8,502	8,708	10.7%	-31.6%	-41.4%
Northern Europe****	0	0.0%	0	0	0	0	0.0%	1,969	2,823	1,970	2,790	3.4%		
UK	400	0.2%	700	1,500	1,200	1,300	1.0%	1,994	1,752	2,940	2,497	3.1%	19.9%	17.7%
Southern Europe*****	0	0.0%	0	0	0	400	0.3%	571	914	741	1,139	1.4%		29.9%
Western Europe******	0	0.0%	0	0	0	600	0.5%	972	1,197	1,023	1,579	1.9%		27.4%
France	0	0.0%	0	0	0	800	0.6%	1,091	1,523	1,146	1,816	2.2%		22.7%
Germany	2,800	1.3%	1,200	1,700	2,100	2,200	1.8%	2,560	3,502	2,782	3,339	4.1%	15.7%	11.0%
Switzerland	0	0.0%	0	0	0	200	0.2%	1,259	302	744	1,088	1.3%		52.7%
Other World	0	0.0%	0	0	0	200	0.2%	796	1,153	683	977	1.2%		48.7%
Total	215,200	100.0%	137,400	89,157	100,361	125,477	100.0%	124,018	108,434	70,853	81,046	100.0%	-7.3%	-10.4%

Remarks:
*Americas; Cuba, Canada
**East Asia/Pacific; Cambodia, Indonesia, Lao PDEMR, Malaysia, Philippines, Singapore, Vietnam, Thailand, New Zealand
***Cen/East Europe; Azerbaijan, Bulgaria, Belarus, Czech Rep. Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Poland, Romania, Russian Fed, Sovakia, Ukraine,Uzbkistanc
****Northern Europe; Finland, Ireland, Norway, Sweden
*****Southern Europe; Bosnia Herzg, Croatia, Greece, Italy, Malta, Portugal, Spain, Yugoslavia
******Western Europe; Austria, Belgium, Netherlands
Source: Border military board under ministry of defense

As shown in Figure 4.1.1, the average growth rate per annum between 1993 and 1997 is –10.4 per cent overall: rates by segment are USA (7.8 %), Japan (18.6 %), China (-1.9 %), Korea Rep (47.3 %), East Asia and Pacific (60.3 %), Southern Europe (29.9 %), Switzerland (52.7%), Russian Fed. (-41.4 %), Central and East Europe (42.8 %), Germany (11.0 %) and France (22.7 %). After 1990 the number of frontier arrivals declined almost steadily, which was mainly due to a large decrease of frontier arrivals from the Russian Federation. The growth rates of the USA, Japan, Central/East Europe, Germany and France are remarkable between 1996 and 1997, 27.1 percent, 16.6 percent, 44.6 per cent, 20.0 percent and 58.5 per cent respectively.

Figure 4.1.1 Frontier Arrivals from Major Generating Countries

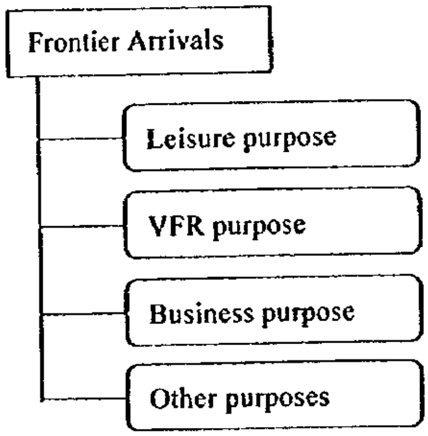


Source: Border military board under ministry of Defense

2) Purpose of Visit of Frontier Arrivals to Mongolia

Visitor structure in Mongolia is illustrated in Figure 4.1.2.

Figure 4.1.2 Visitor Structure in Mongolia



Note: VFR means Visiting Friends and Relations.

Before 1990, arrivals in Mongolia were mainly from the Russian Federation and Eastern and Central Europe. The number of leisure tourists at that time has been estimated at about 5,000 annually[2]: plus a small number of West European package groups. The state-owned "Juulchin Tourism Corporation" exclusively handled foreign tourists at that time. After 1990 the number of frontier arrivals declined almost steadily (see Table 4.1.1), which was mainly due to the decrease in business visits from the Russian Federation.

Table 4.1.2 shows the trend of visitors by purposes[3] in Mongolia from 1990 to 1997. Most business arrivals are from China and still from Russia, whereas leisure purpose visitors are predominately from Japan, Germany, France, UK and USA. After 1990, business arrivals decreased due to the decrease in business purpose visits from the Russian Federation though a sudden increase in business visits from China occurred. However, the number of leisure tourists has been increasing steadily year after year. (See Figure 4.1.3)

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[2] This estimation is based on the DANIDA (Danish International Development Agency) (1993): Nature Conservation through Development of Tourism Report prepared by N.F. Munch-Petersen, B. Sloth and I.L.Rasmussen

[3] Visiting purpose classification was made based on the interview survey results.

Table 4.1.2 (1) Trends by Purpose of visit of Frontier Arrivals to Mongolia, 1990-1997

Country/Region	1990	Leisure	VFR	Business	Other	Proportion of Total	Proportion of Leisure	Proportion of Business	1991	Leisure	VFR	Business	Other
Americas	100	43	13	35	9	0.1%	1.3%	0.03%	34	15	4	12	3
USA	800	344	104	280	72	0.6%	10.3%	0.3%	2,000	1,120	105	700	75
East Asia/Pacific	100	39	7	51	3	0.1%	1.2%	0.05%	23	9	2	12	1
Japan	1,700	1,411	17	250	17	1.2%	42.4%	0.2%	3,900	3,432	39	390	39
Korea rep	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
China	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
Australia	0	0	0	0	0	0.0%	0.0%	0.00%	0	0	0	0	0
Cen/East Europe	8,800	616	1,232	6,512	440	6.4%	18.5%	6.1%	3,900	546	273	2,886	195
Russian Fed	124,000	124	18,600	99,076	6,200	90.2%	3.7%	92.6%	76,100	76	11,415	60,804	3,805
Northern Europe	0	0	0	0	0	0.0%	0.0%	0.00%	0	0	0	0	0
UK	700	224	77	357	42	0.5%	6.7%	0.3%	1,500	616	77	765	42
Southern Europe	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
Western Europe	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
France	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
Germany	1,200	528	192	396	84	0.9%	15.9%	0.4%	1,700	748	193	674	85
Switzerland	0	0	0	0	0	0.0%	0.0%	0.00%	0	0	0	0	0
East/Med Europe	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
Middle East	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
South Asia	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
Africa	0	0	0	0	0	0.0%	0.0%	0.0%	0	0	0	0	0
	137,400	3,329	20,242	106,957	6,867	100.0%	100.0%	100.0%	89,157	6,562	12,108	66,243	4,245

Table 4.1.2 (2)Trends by Purpose of visit of Frontier Arrivals to Mongolia, 1990-1997

Country/Region	1992	Leisure	VFR	Business	Other	1993	Leisure	VFR	Business	Other	1994	Leisure	VFR	Business	Other
Americas	12	5	2	4	1	17	7	2	6	2	311	134	40	109	28
USA	2,400	1,373	110	840	77	3,200	1,576	180	1,344	100	3,799	1,734	250	1,666	150
East Asia/Pacific	49	19	3	25	1	250	98	18	128	8	831	324	58	424	25
Japan	5,300	4,690	40	530	40	5,600	4,928	56	560	56	5,725	5,038	57	573	57
Korea rep	0	0	0	0	0	700	273	49	357	21	911	355	64	465	27
China	0	0	0	0	0	35,100	65	702	33,631	702	42,043	65	841	40,296	841
Australia	0	0	0	0	0	500	185	70	220	25	979	362	137	431	49
Cen/East Europe	1,300	481	182	572	65	610	226	85	268	31	1,036	383	145	456	52
Russian Fed	88,000	88	13,200	70,312	4,400	73,800	74	11,070	58,966	3,690	57,171	57	8,576	45,680	2,859
Northern Europe	0	0	0	0	0	0	0	0	0	0	1,969	1,083	197	610	79
UK	1,200	469	75	612	44	1,300	416	100	706	78	1,994	638	219	1,017	120
Southern Europe	0	0	0	0	0	400	220	40	124	16	571	314	57	177	23
Western Europe	0	0	0	0	0	600	330	60	186	24	972	535	97	301	39
France	0	0	0	0	0	800	560	40	176	24	1,091	764	55	240	33
Germany	2,100	924	195	893	88	2,200	968	352	726	154	2,560	1,126	410	845	179
Switzerland	0	0	0	0	0	200	110	20	62	8	1,259	692	126	390	50
East/Med Europe	0	0	0	0	0	0	0	0	0	0	163	60	23	72	8
Middle East	0	0	0	0	0	0	0	0	0	0	17	6	2	7	1
South Asia	0	0	0	0	0	200	74	28	88	10	614	227	86	270	31
Africa	0	0	0	0	0	0	0	0	0	0	2	1	0	1	0
	100,361	8,049	13,807	73,788	4,717	125,477	10,109	12,872	97,548	4,948	124,018	13,899	11,440	94,029	4,650

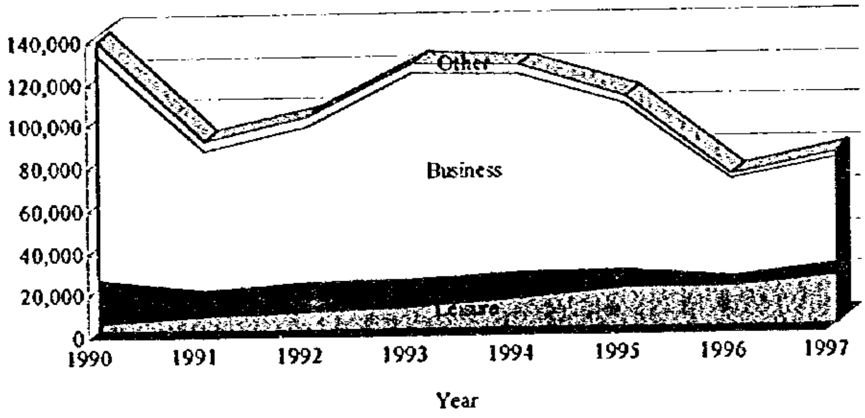
Table 4.1.2 (3) **Trends by Purpose of visit of Frontier Arrivals to Mongolia, 1990-1997**

Country/Region	1995	Leisure	VFR	Business	Other	1996	Leisure	VFR	Business	Other	1997	Leisure	VFR	Business	Other
Americas	335	144	44	117	30	436	187	57	153	39	701	301	91	245	63
USA	3,987	1,791	350	1,595	250	3,398	1,461	442	1,189	306	4,318	1,857	561	1,511	389
East Asia/Pacific	965	376	68	492	29	558	218	39	285	17	1,650	644	116	842	50
Japan	8,976	7,899	90	898	90	9,504	8,364	95	950	95	11,077	9,748	111	1,108	111
Korea rep	2,561	999	179	1,306	77	3,537	1,379	248	1,804	106	3,294	1,285	231	1,680	99
China	47,721	67	954	45,745	954	30,478	51	610	29,208	610	32,531	65	651	31,165	651
Australia	892	330	125	392	45	656	243	92	289	33	1,004	371	141	442	50
Cen/East Europe	1,441	533	202	634	72	1,755	649	246	772	88	2,538	939	355	1,117	127
Russian Fed	28,390	28	4,259	22,683	1,420	8,502	9	1,275	6,794	425	8,708	9	1,306	6,958	435
Northern Europe	2,823	1,553	282	875	113	1,970	1,084	197	611	79	2,790	1,535	279	865	112
UK	1,752	561	193	894	105	2,940	941	323	1,499	176	2,497	799	275	1,273	150
Southern Europe	914	503	91	283	37	741	408	74	230	30	1,139	626	114	353	46
Western Europe	1,197	658	120	371	48	1,023	563	102	317	41	1,579	868	158	489	63
France	1,523	1,066	76	335	46	1,146	802	57	252	34	1,816	1,271	91	400	54
Germany	3,502	1,541	560	1,156	245	2,782	1,224	445	918	195	3,339	1,469	534	1,102	234
Switzerland	302	166	30	94	12	744	409	74	231	30	1,088	598	109	337	44
East/Med Europe	343	127	48	151	17	197	73	28	87	10	329	122	46	145	16
Middle East	129	48	18	57	6	22	8	3	10	1	63	23	9	28	3
South Asia	681	252	95	300	34	464	172	65	204	23	504	186	71	222	25
Africa	0	0	0	0	0	0	0	0	0	0	81	30	11	36	4
	108,434	18,642	7,784	78,378	3,629	70,853	18,243	4,472	45,801	2,337	81,046	22,747	5,258	50,317	2,725

Table 4.1.2 (4)Trends by Purpose of visit of Frontier Arrivals to Mongolia, 1990-1997

Country/Region	AAG of Total (1990-1997)	AAG of Leisure (1990-1997)	AAG of Business (1990-1997)	Proportion of Total	Proportion of Leisure	Proportion of Business
Americas	32.1%	32.0%	32.0%	0.9%	1.3%	0.5%
USA	27.2%	27.2%	27.2%	5.3%	8.2%	3.0%
East Asia/Pacific	49.3%	49.3%	25.7%	2.0%	2.8%	1.7%
Japan	30.7%	31.8%	23.4%	13.7%	42.9%	2.2%
Korea rep	47.3%	47.3%	47.3%	4.1%	5.6%	3.3%
China	-1.9%	0.0%	-1.9%	40.1%	0.3%	61.9%
Australia	19.0%	19.0%	19.1%	1.2%	1.6%	0.9%
Cen/East Europe	-16.3%	6.2%	-22.3%	3.1%	4.1%	2.2%
Russian Fed	-31.6%	-31.3%	-32.1%	10.7%	0.0%	13.8%
Northern Europe	12.3%	12.3%	12.3%	3.4%	6.7%	1.7%
UK	19.9%	19.9%	19.9%	3.1%	3.5%	2.5%
Southern Europe	29.9%	29.9%	29.9%	1.4%	2.8%	0.7%
Western Europe	27.4%	27.4%	27.3%	1.9%	3.8%	1.0%
France	22.7%	22.7%	22.8%	2.2%	5.6%	0.8%
Germany	15.7%	22.6%	15.7%	4.1%	6.5%	2.2%
Switzerland	52.7%	31.5%	52.7%	1.3%	2.6%	0.7%
East/Med Europe	26.4%	26.7%	26.3%	0.4%	0.5%	0.3%
Middle East	54.7%	56.5%	58.7%	0.1%	0.1%	0.1%
South Asia	-6.4%	-6.4%	26.0%	0.6%	0.8%	0.4%
Africa	243.4%	210.7%	230.2%	0.1%	0.1%	0.1%
	-7.3%	31.1%	-10%	100.0%	100.0%	100.0%

Figure 4.1.3 Trends by purpose of Visit of Frontier Arrivals to Mongolia



Source: JICA Study Team

The Japanese are the single largest group of leisure tourists, making up about 43 per cent of leisure tourists in 1997.

From the statistics of frontier arrivals it can further be concluded that the marked decrease in numbers in 1996 was mainly due to a decline of Russian and Chinese businessmen officially entering the country. The leisure tourism market was probably not affected and is estimated at about 18,000 arrivals annually.

Virtually all leisure tourists visit Mongolia on package tours. Up to 1997, individual tourists were only allowed to enter the country if a Mongolian or a foreign resident officially invited them. The number of individual tourists increased, as liberal visa regulations became effective in 1998. However, most tourists still need the services of tour operators since travel in the countryside is extremely difficult without a rented car, an experienced driver or guide, and an interpreter.

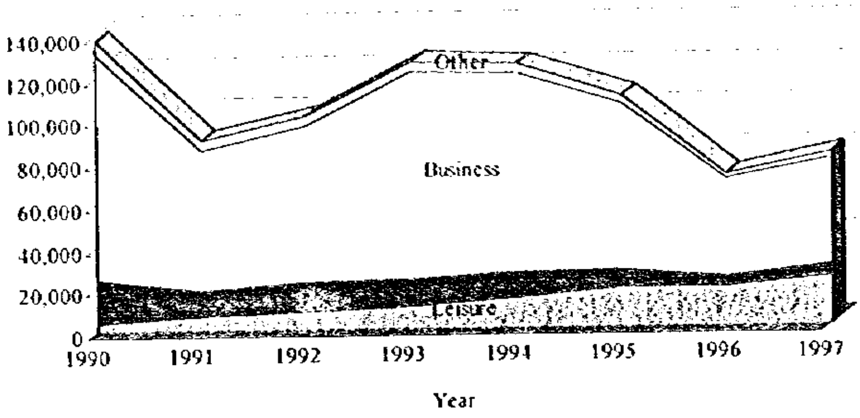
3) Types of Leisure Tourists in Mongolia

A tourist, in the Mongolian context, is thus a rather narrowly defined individual; the resident of a foreign country who visits Mongolia on a pre-arranged/all-inclusive tour, generally in a group but sometimes, as an individual. In every cases, however, the tourist is a client of tour operator in Mongolia, and all arrangements for local transport and accommodation are made by a tour operator in Mongolia. Even in the rare instance of an independent arrival of an individual, the tourist is considered to be a "group of one person".

Tour operators in Mongolia offer two main types of tours based on accommodation: a "transit tour" and a "basic tour". The transit tour incorporates a stay in Ulaanbaatar of one to three nights and a day excursion to the Terelj tourist camp while the basic tour is of a longer (and open-ended) duration, the tour incorporates stopovers in Ulaanbaatar (subject to the itinerary selected) of one to four nights.

With the Western European and North American markets, Mongolia was usually featured as part of multi-destination tours incorporating Russia and/or China. Overall the duration of these tours was from two to three weeks, with an average of some five days spent in Mongolia. Most West European operators like to include travel on the Trans-Siberian/Trans-Mongolian railway for at least one sector (usually from Irkutsk to Ulaanbaatar).

Figure 4.1.3 Trends by purpose of Visit of Frontier Arrivals to Mongolia



Source: JICA Study Team

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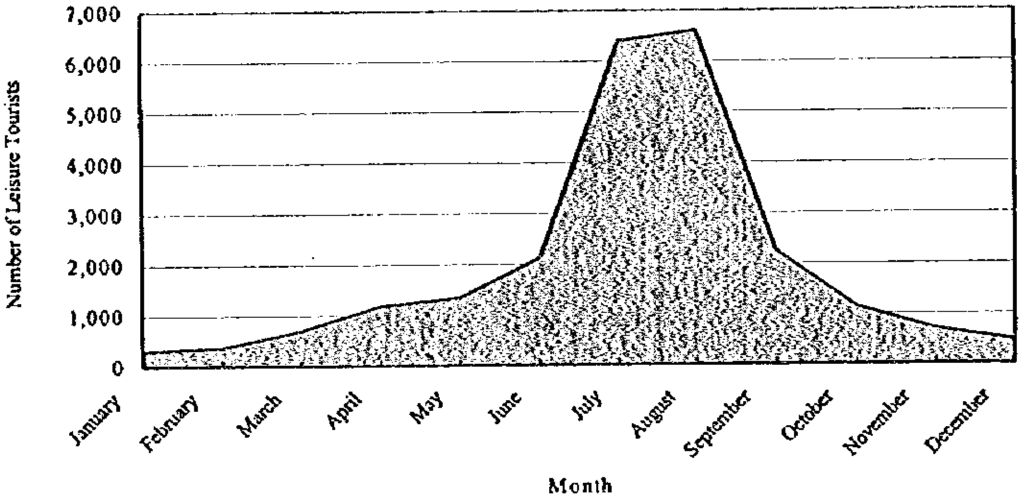
4) Seasonal Leisure Tourist Arrivals

There are no statistics available which permit a seasonal analysis of tourism to Mongolia either in terms of arrivals or of tourist-nights. The following Figure 4.1.4 was prepared on the basis of interview results from tour operators in Mongolia.

Figure 4.1.4 Seasonality of Leisure Tourists Arrival in 1997



Source: JICA Study Team

The five month period of May to September is regarded as the tourist season and interviews with tour operators in the main generating countries suggest that there are pronounced peaks and troughs during this period, with July to the first half of August being the peak period for arrivals. The week which includes the "Naadam" festival is probably the highest point in leisure tourist arrivals (a number of tour operators offer special programs for this event) while the months of May, June and September are effectively "shoulder" months. While it is difficult to be precise in the absence of hard data, it is possible that over 50 percent of leisure tourist arrivals are concentrated in the months of July and August. Constrained by the short summer, tourism to Mongolia is evidently highly seasonal. Moreover, despite the substantial discounts, which are offered by tour operators, e.g. Juulchin, during the October to April period, the number of leisure tourists during these harsh winter months is believed to be negligible.

5) Tourist-Nights

There are no official statistics on tourists' average length of stay. Estimated from the interview survey results[4] for tour operators and tourists, the average length of stay (ALS) and tourist-nights are as shown in Table 4.1.3. and Table 4.1.4.

The average length of stay, as shown in Table 4.1.3, differs between leisure tourists and business, VFR, and other tourists.

Overall, the average length of stay of the surveyed tourists was estimated at 14.9 nights. French tourists on average had the longest average length of stay with 17.9 nights followed by tourists from U.S.A. and "all other" countries with 17.3 and 16.7 nights respectively. Tourists from Asia except Japan on average recorded the shortest average length of stay with 9.7 nights. China's average length of stay is much shorter than the other countries, because their business purpose tourists'

[4] Interview surveys for tourists to Mongolia were conducted by JICA study team and TACIS study team in 1998

average length of stay is extremely low. Business purpose tourists from China are usually one-day visitors to Zamiin Uud near Ereen on China's border or Havirga in Dornod.

The highest average length of stay was recorded for tourists coming for "other" reasons 24.5 nights and VFRs 16.5 nights. The average length of stay for the surveyed leisure tourists (13.5 nights) was about 1.5 nights shorter than the overall average length of stay for all tourists.

The bulk of the leisure tourists stayed between one and two weeks in Mongolia, while a majority of the tourists coming for "other" reasons stayed more than two weeks.

The number of tourist-nights greatly differs by categories of purpose of visit. Japanese tourists had the largest proportion (31%) in leisure tourist-nights followed by the U.S.A and Germany. Russia Federation tourists had the largest proportion (30%) in business tourist-nights followed by China (15%) reflecting the large number of business tourists though the average length of stay is very low.

Overall, the tourist-nights of the Russian Federation recorded the largest reflecting the large number of frontier arrivals followed by China.

Table 4.1.3 Length of Stay by Purpose of Visit of Market Area

Country/Region	ALS	Leisure	VFR	Business	Other
Americas	17.3	17.0	16.5	15.5	24.5
USA	17.3	17.0	16.5	15.5	24.5
East Asia/Pacific	9.7	7.0	14.5	10.5	20.5
Japan	11.0	8.0	14.5	10.5	20.5
Korea rep	9.7	7.0	14.5	10.5	20.5
China	7.5	7.0	14.5	1.5	20.5
Australia	15.4	15.0	16.5	14.5	24.5
Cen/East Europe	14.5	7.0	16.5	14.5	24.5
Russian Fed	14.5	6.5	16.0	13.5	24.0
Northern Europe	15.4	15.0	16.5	14.5	24.5
UK	15.4	15.0	16.5	14.5	24.5
Southern Europe	15.4	15.0	16.5	14.5	24.5
Western Europe	15.4	15.0	16.5	14.5	24.5
France	17.9	18.0	16.5	16.5	24.5
Germany	14.6	13.0	16.5	14.0	24.5
Switzerland	15.4	15.0	16.5	14.5	24.5
East/Med Europe	16.7	15.5	17.0	15.5	25.0
Middle East	16.7	15.5	17.0	14.5	25.0
South Asia	16.7	15.5	17.0	14.5	25.0
Africa	16.7	15.5	17.0	14.5	25.0
Mean number of Nights	14.9	13.5	16.5	14.5	24.5

Source: JICA Study Team

Table 4.1.4 Tourist-Nights by Market Area in 1997

Country/Region	Leisure	Leisure Tourist-Nights	Proportion	VFR	VFR Tourist-Nights	Business	Proportion	Business Tourist-Nights	Other	Proportion	Other Tourist-Nights	Proportion	Proportion of Total
Americas	301	5,124	1.9%	91	1,504	245	1.8%	3,803	63	1.2%	1,546	2.3%	1.7%
USA	1,857	31,565	11.9%	561	9,262	1,511	11.0%	23,425	389	7.5%	9,521	14.4%	10.2%
East Asia/Pacific	644	4,505	1.7%	116	1,675	842	2.0%	8,836	50	2.8%	1,015	1.5%	2.2%
Japan	9,748	82,856	31.3%	111	1,828	1,108	2.2%	17,723	111	5.7%	2,714	4.1%	14.5%
Korea rep	1,285	8,993	3.4%	231	3,343	1,680	4.0%	17,639	99	5.7%	2,026	3.1%	4.4%
China	65	455	0.2%	651	9,434	31,165	11.2%	46,748	651	15.0%	15,940	24.2%	10.0%
Australia	371	5,572	2.1%	141	2,319	442	2.8%	6,406	50	2.1%	1,230	1.9%	2.1%
Cen/East Europe	939	11,738	4.4%	355	5,863	1,117	7.0%	16,192	127	5.2%	3,109	4.7%	5.1%
Russian Fed	9	57	0.0%	1,306	20,899	6,958	24.8%	93,935	435	30.2%	10,450	15.8%	17.3%
Northern Europe	1,535	23,018	8.7%	279	4,604	865	5.5%	12,541	112	4.0%	2,734	4.1%	5.9%
UK	799	11,986	4.5%	275	4,532	1,273	5.4%	18,465	150	5.9%	3,671	5.6%	5.3%
Southern Europe	626	9,397	3.6%	114	1,879	353	2.2%	5,120	46	1.6%	1,116	1.7%	2.4%
Western Europe	868	13,027	4.9%	158	2,605	489	3.1%	7,098	63	2.3%	1,547	2.3%	3.3%
France	1,271	22,882	8.7%	91	1,498	400	1.8%	6,592	54	2.1%	1,335	2.0%	4.5%
Germany	1,469	19,099	7.2%	534	8,815	1,102	10.5%	15,426	234	5.0%	5,726	8.7%	6.8%
Switzerland	598	8,976	3.4%	109	1,795	337	2.1%	4,891	44	1.6%	1,066	1.6%	2.3%
East/Med Europe	122	1,887	0.7%	46	783	145	0.9%	2,244	16	0.7%	411	0.6%	0.7%
Middle East	23	361	0.1%	9	150	28	0.2%	430	3	0.1%	79	0.1%	0.1%
South Asia	186	2,517	1.0%	71	1,164	222	1.4%	3,216	25	1.0%	617	0.9%	1.0%
Africa	30	405	0.2%	11	187	36	0.2%	517	4	0.2%	99	0.2%	0.2%
Total	22,747	264,417	100.0%	5,258	84,140	50,317	100.0%	311,245	2,725	100.0%	65,953	100.0%	100.0%

Distribution of Tourist-Nights

There are no statistics on distribution of tourist-nights. The Table 4.1.5 was made on the basis of results of interview survey results conducted by JICA Study Team and TACIS study team in 1998.

Overall, the majority of tourist nights were spent in Ulaanbaatar (57%) followed by "other" places (15%) and the Govi (11%). A surprisingly high proportion of the tourists visited "other" places. This can partly be explained by the fact that not all tourists were aware of the precise names of the places they visited.

As expected, the majority of tourist nights spent by VFRs and business tourists were in Ulaanbaatar, whereas more than 6 days out of every 10 leisure tourist nights were spent outside Ulaanbaatar.

Table 4.1.5 Distribution of Tourist-Nights by Purpose of Visit in 1997

	Leisure	%	VFR	%	Business	%	Other	%	%
UB	94,280	37.0%	57,932	69.0%	216,841	71.0%	33,978	54.0%	57.0%
Terelji	12,741	5.0%	2,519	3.0%	6,108	2.0%	629	1.0%	3.1%
Harhorin	25,481	10.0%	2,519	3.0%	3,054	1.0%	2,517	4.0%	4.7%
Govi	43,318	17.0%	3,358	4.0%	24,433	8.0%	4,405	7.0%	10.7%
Henti	2,548	1.0%	840	1.0%	3,054	1.0%	0	0.0%	0.9%
Khuvsgol	22,933	9.0%	2,519	3.0%	6,108	2.0%	6,292	10.0%	5.4%
Arhangai/Horgo	15,289	6.0%	2,519	3.0%	3,054	1.0%	629	1.0%	3.0%
Other Places	38,222	15.0%	11,754	14.0%	42,757	14.0%	14,472	23.0%	15.2%
	254,812	100.0%	83,959	100.0%	305,410	100.0%	62,922	100.0%	100.0%

4.2 Results of Tourist Surveys

4.2.1 Methods

The Study Team and the Tourism Department of the Ministry of Infrastructure Development recognize the importance of obtaining data on the behaviors and opinions of international tourists visiting Mongolia, and carried out a questionnaire survey in the course of the execution of the Study.

The objectives of the questionnaire survey were:

- to understand behavior, itineraries, level of satisfaction for various service provisions and other aspects of international tourists who choose to visit Mongolia, and
- to collect basic data necessary for analysis of tourist projections, development, and marketing.

With the cooperation of the Tourism Department, the Study Team coordinated efforts with the EU / Tacis Team with regard to the details of the execution survey, with the understanding that:

- JICA Team would conduct the survey of Japanese and East Asian tourists by a "self-completion" questionnaire form in the Japanese and English languages, at nine chosen sites (UB airport and eight tourist Gers) with the assistance of Japanese-speaking interviewers and English speaking interviewers.
- EU / Tacis Team would conduct the survey of tourists of all nationalities other than Japanese and East Asians via a questionnaire form in the English language to be filled out by English-speaking interviewers, at the UB airport.
- Two separate questionnaire forms are used, in consideration of the wide gap that exists in behavior, interests and expectations of Japanese, East Asian and Western tourists.
- Maximum effort was made to coordinate questions relative to such basic data as age groups, lengths of stay, past Mongol visits, etc.

The JICA Team executed the tourist interviews from the second week of July through the second week of August, while the EU / Tacis Team commenced the interviews from the latter half of June until the month of September, when the European package tour season for Mongolia normally terminates.

4.2.2 Results of Tourist Surveys

Two separate surveys were conducted; the one for visitors of Japanese nationality, Japanese nationals, using questionnaires prepared in Japanese, and a second survey in English. The Japanese survey was conducted for a three week periods from mid-July to early August and yielded 1,416 satisfactory questionnaires, while the second survey was conducted from June to the first week of September, and yielded 1,506 satisfactory questionnaires. The following is the summary of relevant findings.

1) Japanese Survey

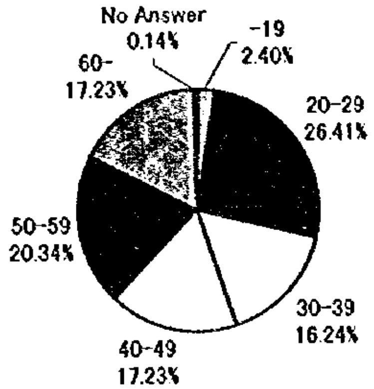
(a) Tourist Profile

- Gender

  Male accounts for 53.3%, while female remains at 46.4%.

- Age Group

20-29 Years accounts for 26.4%, followed by 50-59 Years of 20.3%, and 60 Years/Over and 40-49 Years both of 17.2%.



Source: JICA Study Team

- Residence

Kanto and Kansai hold a dominant share of 72.6%, with Kanto for 50.5% and Kansai for 22.1%. Other regions account only below 8 percent mark respectively.

- Occupation

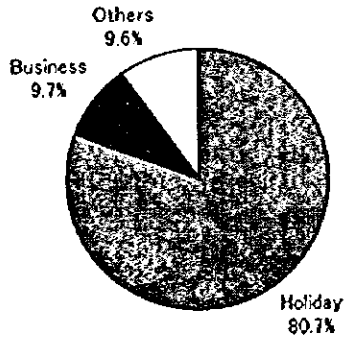
Professional/Administrative accounts for 29.0%, followed by Office/Sales Clerk of 17.1% and Self-employed of 9.2%.

- Traveling With

Friends accounts for 38.1%, followed by Alone of 23.2%and Spouse of 13.1%.

- Purpose of Visit

Holiday dominates with 80.7%. Other purposes are almost negligible with Business of 9.7 % and Others of 9.6 %.



Source: JICA Study Team

- Package or NOT

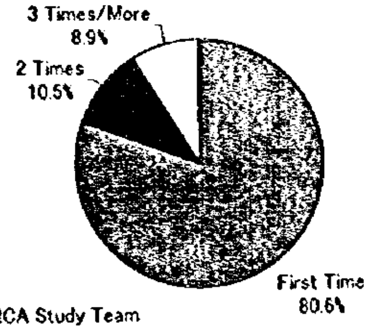
Package dominates with 63.6%. Those Not On Package tour accounts for 36.2%.

- Travel Experience

Frequent Traveler holds a very high share with 10 Times/ More of 39.5%, followed by 5-9 Times of 26.0 % and 2-4 Times of 25.4 %.

- Past Mongol Visit

  First Time accounts for 80.6 %, with 2 Times of 10.5 % and 3 Time/More of 8.9 %.



Source: JICA Study Team

- Length of Stay

  8 nights dominates with 40.5 %, followed by 7 nights of 18.4% and 5 nights of 10.2%.

- Expenditure

  8-night package is marketed on average at US$2,000 (conversion of US$1 at Yen 125) or US$250 per person per day inclusive of air fare from/to Japan (flown exclusively by MIAT).

Apart from the prepaid tour fare, 38.0% of the respondents spent $80 - 399 for souvenir shopping and other optional arrangements after arrival, 14.9% for $400 - 799 and 10.9% for $800/more.

- Gender by Number of Visit

  The ratio of male to female first-time visitors to Mongolia is 1:1, while almost 80% of frequent visitors (more than 3 times) are male.

	No of Visit							
Gender	1		2		Over 3		No Answer	
Unknown	2	0.18%	2	1.34%	0	0.00%	0	0.00%
Male	568	49.78%	89	59.73%	98	78.40%	0	0.00%
Female	571	50.04%	58	38.93%	27	21.60%	1	100.00%
Total	1141	100.00%	149	100.00%	125	100.00%	1	100.00%

Source: JICA Study Team

- Gender by Age Group

  The largest category of visitors to Mongolia is females aged from 20 to 29. However, there are more older male travelers than older females (over 40).

Gender	Below 19		20~29		30~39		40~49		50~59		Over 60		Age No Answer		Total	
Unknown	0	0.00%	1	25.00%	1	25.00%	1	25.00%	0	0.00%	0	0.00%	1	25.00%	4	100.00%
Male	15	1.99%	143	18.94%	103	13.64%	159	21.06%	163	21.59%	172	22.78%	0	0.00%	755	100.00%
Female	19	2.89%	230	35.01%	126	19.18%	84	12.79%	125	19.03%	72	10.96%	1	0.15%	657	100.00%
Total	34	2.56%	374	29.14%	230	17.16%	244	15.80%	288	19.96%	244	15.27%	2	0.10%	1416	100.00%

Source: JICA Study Team

(b) Destination Appeal

- Mongolia's Appeal

  Grass Steppe Experience (59.1%) and Nomadic Life (54.8%) are the two dominant reasons cited by all the respondents (multiple answers), followed closely by Activities (43.9%). Culture remains relatively low at17.5% and History very low at only 5.9%. This shows that the culture nor history trips are not exploited effectively in spite of the existence of cultural and historical resources in Mongolia.

- Variation by Gender

  Female generally shows higher preference for all four reasons (Grass Steppe Experience, Nomadic Life, Activities, and Culture) over Male, while Male shows keener interest in History over Female.

- Desire for Return Visit

  80.5 % of all the respondents express their desire to come back, a very encouraging and favorable sign for Japanese market development.

- Appeal by Number of Visit

  Of the total number of visitors to Mongolia, 77% are generally interested in nature and nature-related activities, including sports. Those who have previous travel experience in Mongolia typically have different interests (not specified) than first-time visitors.

	No. of visit									
Interest	1		2		3		Unknown		Total	
Grass Steppe	714	29.32%	80	28.07%	43	23.63%	1	50.00%	838	28.86%
Normadic Life	683	28.05%	60	21.05%	31	17.03%	1	50.00%	775	26.69%
Sport Activities	525	21.56%	64	22.46%	34	18.68%	0	0.00%	623	21.45%
Cultural Heritages	218	8.95%	20	7.02%	10	5.49%	0	0.00%	248	8.54%
Historical Heritages	73	3.00%	4	1.40%	7	3.85%	0	0.00%	84	2.89%
Other Reasons	222	9.12%	57	20.00%	57	31.32%	0	0.00%	336	11.57%
Total	2435	100.00%	285	100.00%	182	100.00%	2	100.00%	2904	100.00%

Source: JICA Study Team

- Appeal by Age Group

  Young visitors to Mongolia tend to more interested in nature and nature-related activities, while older visitors tend to be interested in cultural and historical heritages as well as nature.

Interest	Age Below 19		20~29		30~39		40~49		50~59		Over 60		Unknown		Total	
Grass Steppe	19	26.39%	211	28.59%	122	26.41%	142	29.28%	178	28.48%	166	31.92%	0	0.00%	838	28.86%
Normadic Life	24	33.33%	197	26.69%	127	27.49%	122	25.15%	171	27.36%	134	25.77%	0	0.00%	775	26.69%
Sport Activities	20	27.78%	207	28.05%	115	24.89%	101	20.82%	117	18.72%	62	11.92%	1	50.00%	623	21.45%
Cultural Heritages	1	1.39%	42	5.69%	35	7.58%	41	8.45%	63	10.08%	66	12.69%	0	0.00%	248	8.54%
Historical Heritages	3	4.17%	6	0.81%	4	0.87%	16	3.30%	23	3.68%	32	6.15%	0	0.00%	84	2.89%
Other Reasons	5	6.94%	75	10.16%	59	12.77%	63	12.99%	73	11.68%	60	11.54%	1	50.00%	336	11.57%
Total	72	100.00%	738	100.00%	462	100.00%	485	100.00%	625	100.00%	520	100.00%	2	100.00%	2904	100.00%

Source: JICA Study Team

(c) Tourist Facilities

- Accommodation

  Regarding rooms, Meals, Facilities and Service, Fair holds an average of 52 - 60% and Good of 12 - 33%.t, Regarding facilities, Good remains the lowest of 12.3%, with Poor the highest of 26.8%. Poor ratings are also noted for Meals and Service Delivery. Improvements are required for hotel facilities other than rooms, (such as reception areas, lobby areas, and peripheral services of business, such as fitness and entertainment), Restaurant quality, and Service Delivery (overall standardized provision of hotel services and training of hotel staff).

(d) Tourist Services

- Hospitality

  52.9% of the respondents give Mongolian hospitality Good rating, with Fair following with 37.0%. Poor is negligible with only 4.7 %.

- Security

  Fair holds 59.9%, with Good at 26.9%. Poor remains only at 8.6%.

- Customs & Immigration

  Good remains very moderate at 14.6%, while Fair hold a dominant share of 62.9%. Poor rating is relatively high at 17.7% (higher than Good rating). Improvement Required.

- Tourist Transport

  Highest Poor rating is registered for Transport Services (particularly domestic air service and road transport) at 43.7%, with Fair at 43.1%. Good remains only at 4.7%. Immediate Improvement Required.

- Urban Amenity

  Fair holds majority share with 61.3%, followed by an alarmingly high Poor of 23.4%. Improvement Required.

- Sanitary Condition

  Hygiene at Restaurant outside of the hotels is one certain area of concern with highest Poor rating. Good remains very low at only 6.7%, while Fair stands out at 55.7% and Poor at alarming 33.2%. Immediate Improvement Required.

(e) Tourist Information

- Information Provision

  Tourist Information is another area of concern, with a very high Poor rating of 38.5%, while Fair of 47.3%. Good remains only at 6.1%. Improvement Required.

- Information Source

  Out of the five useful information sources about the destination, Guidebooks comes the first with 41.3%, followed by Recommended by Friends/Relatives of 22.1 and Tour Brochure of 13.2%.

- Information Needs

  Out of eight information items desired, Tourist Transport stand out with 44.5%, followed by Map of 31.9%, Souvenir of 23.1%, Ulaanbaatar Activity of 18.6%, Tourist Site of 18.2% and Restaurant of 17.4%. Improvement Required.

2) All Other Nationalities Survey

(a) Tourist Profile

- Nearly half of the surveyed visitors were holiday visitors while business visitors constituted 4 out of every 10. Slightly more than 1 out of every 10 was visiting friends and relatives.
- Half of the surveyed holiday visitors and almost 4 of every 10-business visitor came from Western Europe.
- 2 out of every 10 surveyed visitors came from Asia.
- The main reason for holiday visitors to choose Mongolia as their holiday destination were the natural scenery (66%), culture (51%), wildlife (31%) and history (27%).
- The sex ratio of male to female showed high performance of males of 71%. Almost 5 out of every 10 belonged to the age bracket of 40-59 years.
- 7 out of every 10 surveyed visitors and 9 out of every 10-holiday visitors visited Mongolia for the first tame, whereas almost 5 out of every 10 business visitors were repeat visitors.
- The three most important source of information about Mongolia were travel guide books (40%), information from friends and relatives (36%) and official information (36%).

(b) Travel Behavior Patterns

- Almost 8 out of 10 surveyed visitors made independent arrangement for their travel to Mongolia, whereas a little more than half of the holiday visitors traveled on package tours.
- 5 out of every 10 traveled to Mongolia with companions Those who traveled with families constituted 20% and 27% traveled with friends and associates.
- Almost 6 out of every 10 visitors were single destination travelers. For those visiting other countries on their trip, China was the most frequent visited country.
- Overall average length of stay in Mongolia was 14.9 nights. Visitors from Asia recorded a shorter average length of stay while visitors from France had the longest average length of stay.
- Almost all visitors stayed at least one night in Ulaanbaatar. The most popular places visited were Harkorum, Govi and Terelj. The average number of places visited were 2.4, whereas holiday visitors on average visited 3.2 places in Mongolia.

(c) Visitor Ratings

- More than 9 out of every 10 visitor rated their overall stay as either excellent or good.
- Almost 9 out of every 10 visitors stated that their expectations prior to visiting Mongolia, were completely fulfilled while a little more than 1 out of every 10 had their expectations partly fulfilled.
- The highest rated, out of listed 11 tourist facilities and services, were services from tour operators, guide services and Ger camps. 8 out of every 10 visitors rated them either excellent or good.
- The lowest rated were ground transportation, domestic air transportation, shopping facilities and availability of handicraft items.
- In general, the visitors rated their overall stay in Mongolia considerable higher than the individual facilities and services. Obviously, the attractions of Mongolia as a tourist destination have had a greater influence on the rating of the overall stay than the perceived shortcomings in the used facilities and services.
- More than 6 out of every 10 visitors found it likely or very likely to return to Mongolia on a holiday trip.

- More than 8 out of every 10 would recommend Mongolia as a holiday destination to their friends and relatives.

(d) Visitor Expenditure

- The surveyed visitors spend on average US$1,154 per visit or US$77 per person per day.
- Those traveling on package tour arrangements spent on average US$1,609 per visit or US$132 per person per day, whereas individual travelers spent US$1,008 per visit or US$63 per person per day.
- The highest spenders were visitors from Eastern Europe (US$113 per person per day), Asia (US$86 per person per day) and USA (US%79 per person per day)
- The lowest spenders were visitors from UK (US$63 per person per day)
- Holiday visitors recorded the highest average daily expenditure (IS$101) followed by business visitors (US$78) and the VFRs and those coming to Mongolia for 'other' reasons spent only US$33 per person per day.
- Overall, each tourist spent US$129 on handicraft and textile items.

Tourists' Comments and Suggestions

- Almost 9 out of every 10 surveyed visitors offered statements (best and/or worst experience) comments and/ or suggestions to improve tourism in Mongolia.
- The majority of the visitors stated their best memories of Mongolia were their experience of the friendly people, its hospitality and openness together with their experience of the countryside, its nature, landscape and scenery.
- The worst memories/experience most frequently stated were related to poor road and transport conditions in Mongolia, poor domestic air transportation, and poor quality and service level at accommodation establishments.
- The most frequently stated suggestions to improve tourism in Mongolia were related to the 'worst' experiences stated by the tourist. Hence, the majority of suggestions were to improve the roads, improve the services at hotels and restaurants including improvement of staff skills, improve shower and toilet facilities at Ger camps, improve the service from MIAT.
- Other frequently stated comments were related to inadequacy of general visitor information about Mongolia (marketing and promotional materials) and the need to improve the skills of those working in the tourism industry in Mongolia

4.3 International Tourist Market for Mongolia

4.3.1 Market Evolution

Tourism in the former Soviet Bloc countries generally lags behind the recent changes and improvements brought about in the international tourism marketplace. Mongolia tourism is no exception. Under the 70-odd-year long Soviet style "Command Economy," no concept of service and hospitality as an industry existed. Modern tourism is in the forefront of service and hospitality industry. It would require many years of persistent efforts before Mongolian tourism could establish the tourist service system and network that would satisfy the international norm.

Modern tourism dictates provisions for an efficient and smooth service delivery system in the various fields of tourist services such as transport, accommodation, catering, and sightseeing, etc., in order to ensure the comfort of tourists and to make their site visit a satisfactory and rewarding experience. More importantly, the modern tourist expects to receive the minimum civil comfort when traveling; such as ease in tourist visa acquisition, speedy entry / departure processing and baggage handling, welcoming attitude of CIQ officers at airports, international standards hotels and service delivery, hygienic roadside restaurants and toilets, etc. In all of these areas Mongolian tourism still leaves much to be desired.

Modern tourism also requires an urban service center which serves to fulfill the needs and desires of sophisticated and sometimes demanding tourists, if a destination desires to expand its market beyond the SIT(*Special Interest Tour)/niche segment of a smaller market base in which Mongolia is currently classified. Though much improved in the last couple of years, available urban services and amenities, choice and variety of activities and entertainment in Ulaanbaatar are too limited to satisfy the needs of general interest tourists with a much larger market base. If Mongolian tourism is to expand and prosper in the long term, it is imperative to expand urban service provisions of Ulaanbaatar and increase its appeal as the sole urban tourist service center in Mongolia.

4.3.2 Mongolia's Position

1) The Japanese Market

In the Mongolian visitor arrival statistics of 1997, excluding Chinese and Russian arrivals of basically the commercial traveler category, Japan holds a dominant share of 30 percent ,almost equaling the combined share of western Europe's 39 percent . There is no doubt that Japan is the single and most important market source for Mongolian tourism now and in the future as well.

Then, how is Mongolia positioned in the Japanese Market? Figure 4.3.1 examines the market position of Mongolia as a tourist destination. In terms of the length of package tours as one criterion of market segmentation, Mongolia is classified as a long-haul destination, despite it's relative proximity to Japan (4/5 hours in flight time), while Korea, Hong Kong and Taiwan, all within a flight time of 4 hours or less are grouped into the short-haul destination category of 2~4 days. The majority of Mongolian package tours being offered in Japan features a 8 ~ 9-day itinerary.

The long-haul destinations are further segmented into the following three categories. Currently Mongolia is regarded as one of the SIT destinations with a rather small and limited market base.

Market Size	Destination Type	Example
1. Large	Popular and general interest	Republic of China USA, Europe
2. Medium	Mixed interest	Chinese Central Asia Egypt, Turkey, India
3. Small and limited	SIT*/off-the-beaten track	Mongolia, Nepal, Tibet

2) Western Market

Western Europe with a combined share of 39 percent in 1997 is the second most important market for Mongolia tourism development.

The European market classifies Mongolia as one of the long-haul destinations in Asia, because of Mongolia's distant location from the European Continent. For general European tourists, Mongolia is a once-in-a-lifetime destination in Asia, while Thailand (Phuket) and Indonesia (Bali) are sometimes considered as repeat destinations due to their strong appeal as beach holidays.

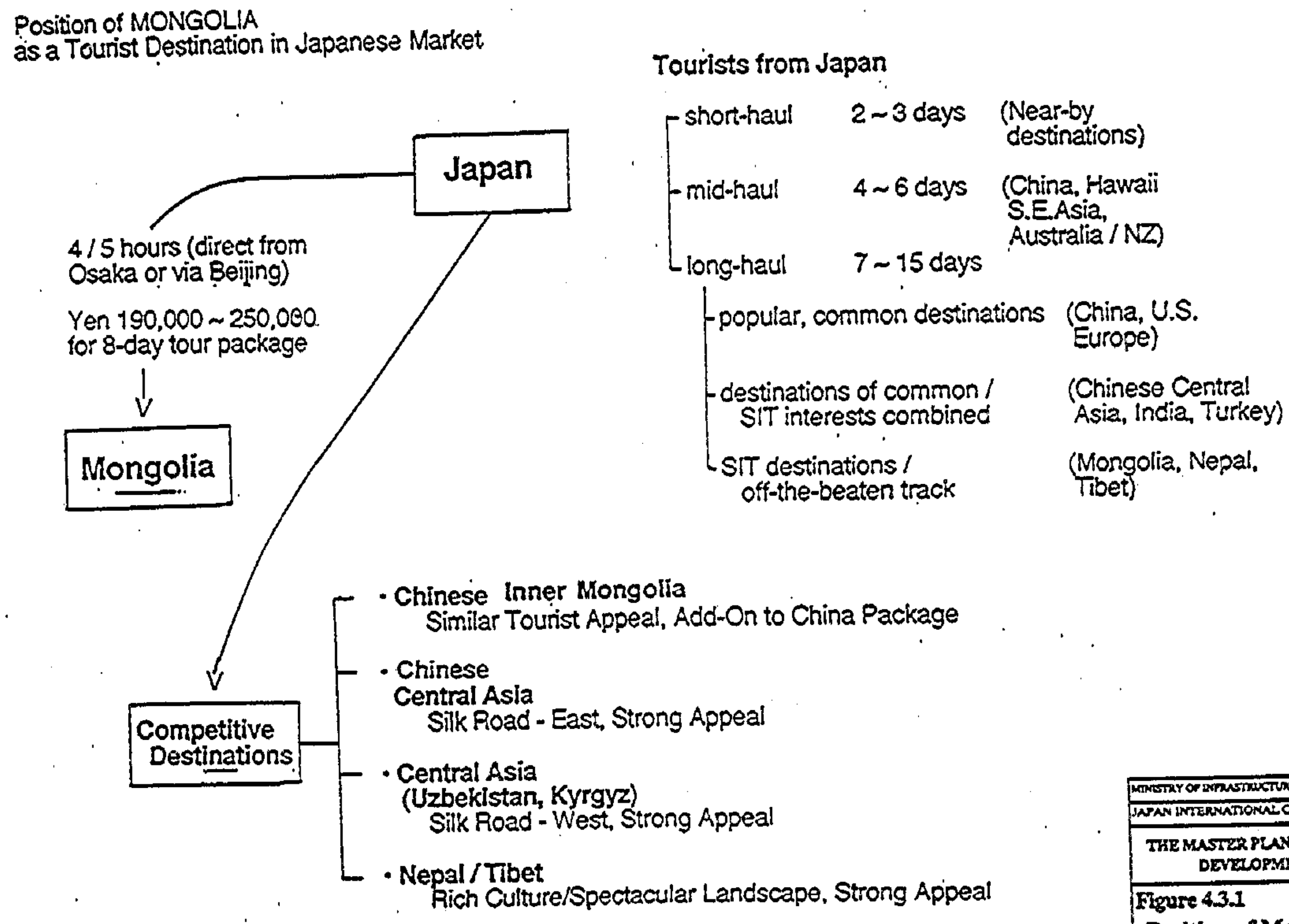
The long-haul Asian destinations are further segmented into the following two categories. Currently Mongolia is regarded as a mixed interest destination of a nature-oriented and cultural experience visit as well as a special interest (SIT) destination for such pursuit as hunting and fossil digging appealing to a rather small and very limited market base.

- popular and general interest destinations with very strong historical and cultural appeals, holding a larger market base
  (Thailand, Indonesia, China, India, etc.)
- mixed interest and SIT destinations of a small and limited market base
  (Mongolia, Nepal, Tibet, etc.)

3) Destination Rivalry in the International Market

Tourism is in a highly competitive marketplace. Some 200 destinations worldwide are vying for the three major tourist generating markets of East Asia, Europe and the Americas. Mongolia faces keen competition from rival and comparable destinations of a similar nature (nature, culture / history and nomadic / traditional life) in the region, notably from the following four regions:

- Chinese Inner Mongolia
  (similar tourist appeal with the advantage of "Add-On" to popular China packages with a large market base)
- Chinese Central Asia
  (the Eastern section of the Silk Road endowed with diverse world-class resources with a very strong appeal)
- Central Asia - Uzbekistan and Kyrgyz
  (the Western section of the Silk Road endowed with diverse world-class resources with a very strong appeal)
- Himalayan countries - Nepal and Tibet
  (rich and diverse world-class resources with nature, cultural interests / historical sites and traditional lifestyles with a very strong appeal)



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JAPAN INTERNATIONAL COOPERATION AGENCY(JICA)
THE MASTER PLAN ON NATIONAL TOURISM DEVELOPMENT IN MONGOLIA

Figure 4.3.1
Position of Mongolia as a Tourist Destination in japanese Market

PADECO Co., Ltd./Nippon Koei Co., Ltd.

4.3.3 Typical Tour Patterns and Market Segments

1) Japanese Market

The majority of Japanese package tours on offer features Mongolia as a sole destination package, and programs with an eight to nine-day itinerary, reflecting the weekly flight operation pattern of the MIAT from Japan.

With regard to this, the statement in the 1989 National Tourism Plan by UNDP / WTO related to Japanese tour packages is incorrect ("sole destination holidays still predominate in Japan, reflecting generally shorter holiday entitlements of the Japanese and, hence, the difficulty of incorporating stopovers."). Because of Mongolia's geographical proximity to Japan, the Japanese market does not consider Mongolia as one stopover of multiple destinations covered in one tour itinerary, while a stopover perception of Mongolia is quite common in the geographically very distant European market. Therefore "generally shorter holiday entitlements" have nothing to do with sole destination Mongolian packages.

A typical eight-day itinerary includes:

- 3 nights in UB (arrival, intermediate connection and departure)
- 2 nights in Ger Camp in suburban UB
- 2 nights in Ger Camp in Omnogovi

Tourist Ger camps frequently used by Japanese tour packages are limited to the following seven sites, the majority of which are concentrated within a 30 to 80 km drive from UB :

- 4 sites in suburban UB (Chinggis Khaan, Undor Dov, Elstei and Terelj)
- 2 sites in the west (Undorshireet and Bayan Govi - Burd)
- 1 site in Omnogovi

Three distinct market segments are identified as follows:

- The youth market, seeking Grassland Steppes / Mongol experiences, coupled with activities and soft adventures (horse back riding, trekking, 4-wheel drive outings, etc.)
- The senior market, seeking Grassland Steppes / Mongol experiences, coupled with cultural visits (Harahorum, Dinosaur Fossils, etc.)
- The SIT / niche market, seeking Grassland Steppes / Mongol experiences, coupled with a variety of special interests ranging from the Chinggis Khaan Trail, Khlkha War Memorial to the Dinosaur Fossil Trail.

2) Western Market (West Europe)

In the European market, Mongolia is generally perceived as a once-in-a-lifetime destination because of its very distant Far East location. Therefore, the majority of West European package tours on offer feature Mongolia either as a sole destination package or a combination package with China, and program itineraries ranging from two to three weeks.

Another popular package in a totally different category is offered ; Trans-Siberian Rail package (Europe / Russia / Mongolia / China / Hong Kong or vice versa) with a short stopover of two-to-three days in Ulaanbaatar on average.

A typical two-week itinerary (an example of a German package) includes:

- 5 nights in UB (arrival, intermediate connection and departure)
- 3 nights in a Ger Camp in Harhorin / Hujirt / Burd

- 3 nights in a Ger Camp in Omnogovi
- 2 nights in an optional Ger Camp either in Terelj or Selenge

An extended three-week itinerary (an example of a French package), sometimes with its own tent camping, self-catering with a cook and supply van, includes:

- 4 nights in UB (arrival, intermediate connection and departure)
- 5 nights in a Ger Camp in Dadal / Ondorhaan / Delgelhaan (Chinggis Khaan Trail)
- 5 nights in a Ger /Camping in Selenge / Arhangai / Mt. Khorgo
- 4 nights in a Ger Camp in Harhorin / Burd

Two distinct market segments are identified as follows:

- The senior market, seeking Grassland Steppes / Mongol experiences, coupled with short jeep / horse / camel treks and cultural visits (Harhorin, Dinosaur Fossils, etc.)
- The SIT / niche market, seeking Grassland Steppes / Mongol experiences, coupled with a variety of special interests ranging from general nature tourism, ecotourism, extended jeep / horse / camel treks, hard treks, mountaineering, hunting, etc.

TYPICAL JAPANESE TOUR PATTERNS

- Majority for 8~9 day package.
- Stay 1~2 tourist GERS out of 7 GERS, mostly around UB.
- Three distinct market segments.
  - Youth market: Grass-steppe/Mongol experience and soft adventure
  - Senior market: Mongol experience and culture
  - SIT/Niche market: Chinggis Khan Trail; Khalkha War Memorial; Dinosaur Fossils

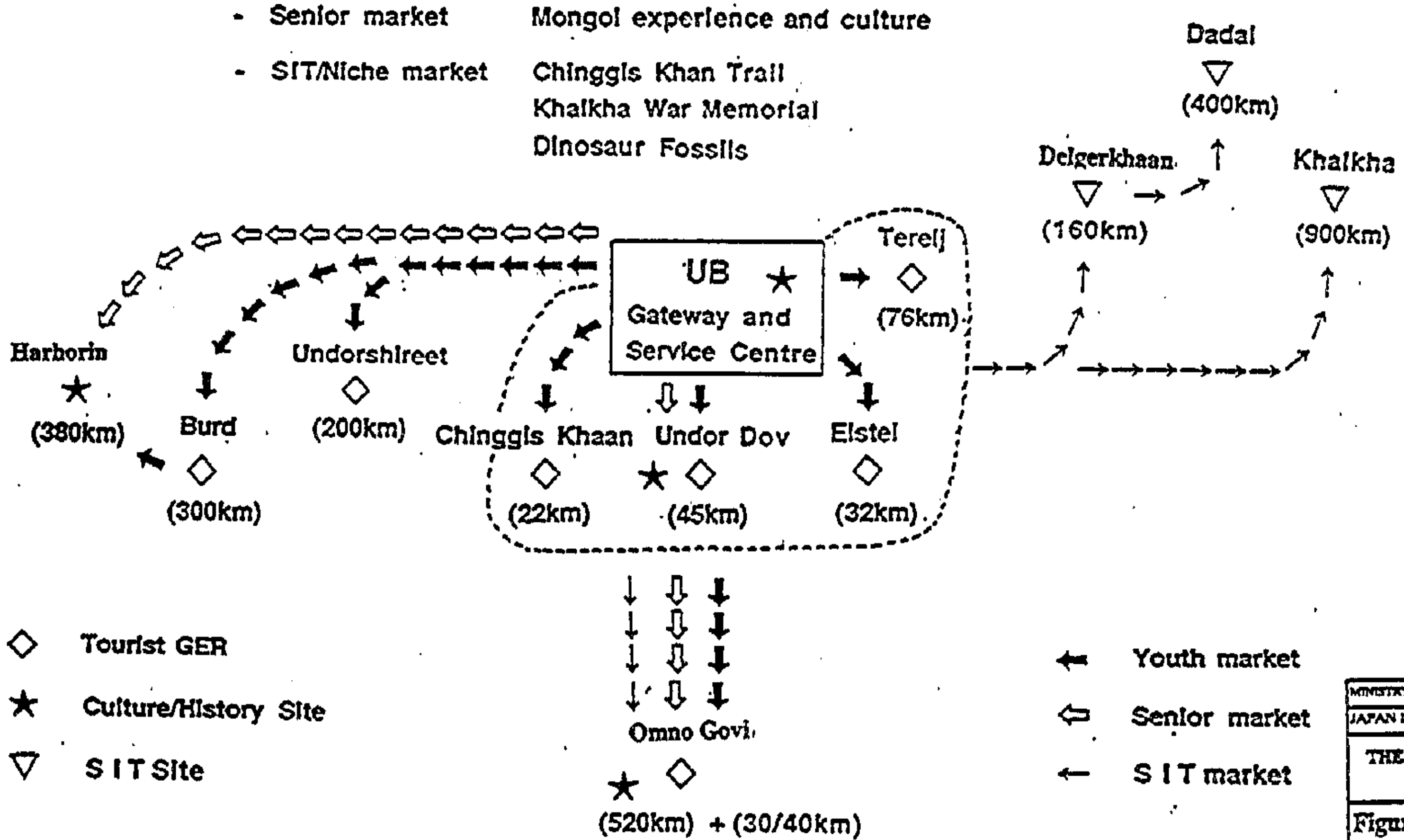

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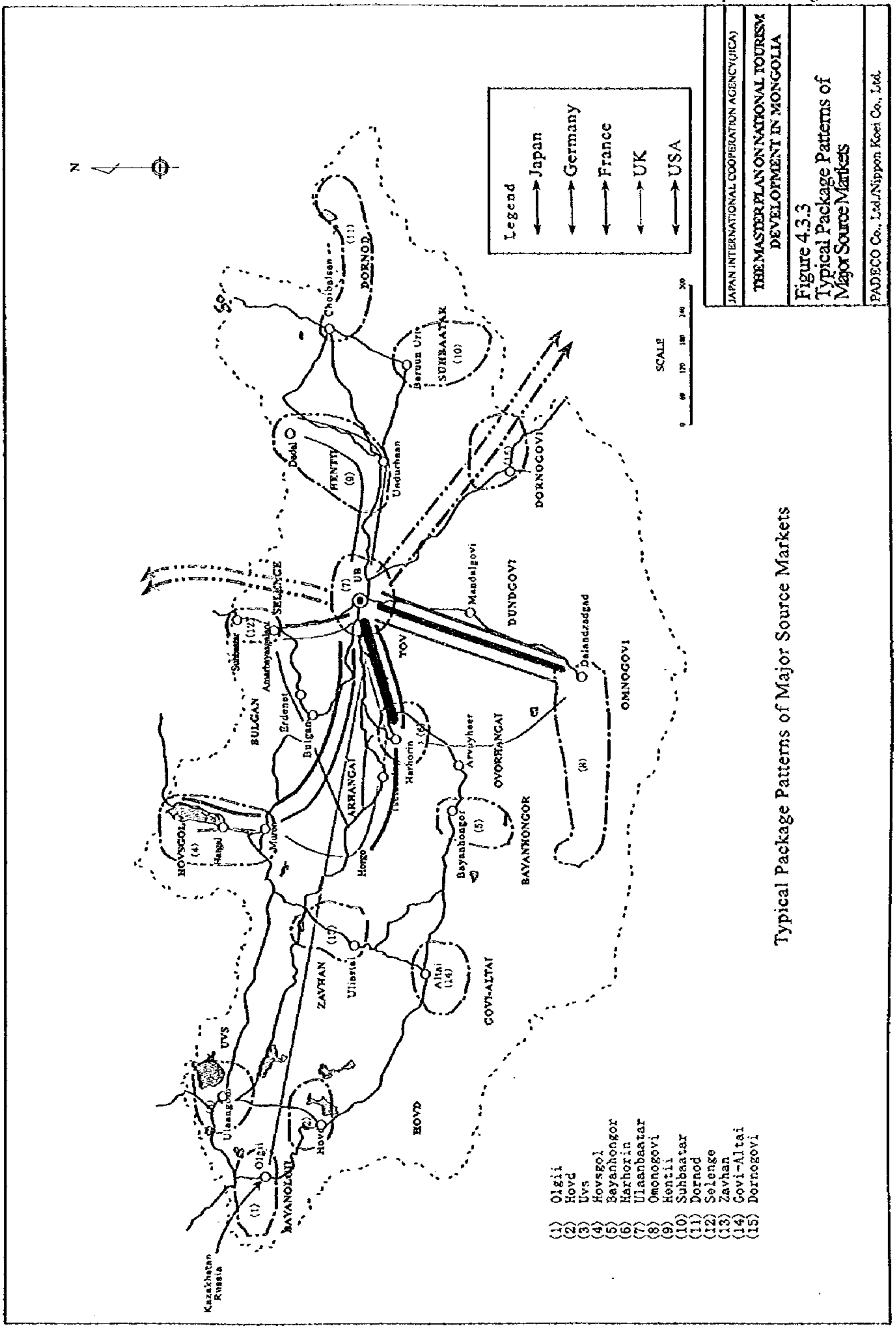
Figure 4.3.2

Typical Japanese Tour Patterns

PADECO Co., Ltd./Nippon Koei Co., Ltd.



Typical Package Patterns of Major Source Markets

4.3.4 Advantages and Opportunities for Japanese Market Development

Mongolia enjoys great advantage specific to market development in Japan. The advantage is two-fold; the first is the advantage of access and the second the market image toward Mongolia.

1) Advantage of Access

The access advantage can be paraphrased into Japan's geographical proximity to Mongolia, requiring no more than 4 to 5-hour flight time. This advantage sharply contrasts with the disadvantage that Mongolia suffers in market development with the other major source markets of Europe, the Americas and Oceania located far away from Mongolia.

2) Advantage of Market Image

In the Japanese market, Mongolia already enjoys a very clearly perceived destination image of a "Land of Big Blue Sky, Grassland Steppes, the Govi and Chinggis Khaan ," without any particular marketing and promotional effort of substance from the Mongolian side. Again the existence of a distinct market image in Japan sharply contrasts with the lack of the destination image that Mongolia has to counter anew in the other Western source markets.

This is largely thanks to the many Japanese authors, writers and Mongol-philes who, through their various fields of work (novels, essays, documentary reports, movies, TV features, etc.) have helped and are still aiding to create a very favorable and distinct destination image of Mongolia.

3) Opportunities

Given these two advantages firmly established in Japan, the size of the market volume that Mongolia now enjoy (some 11,000 Japanese nationals' arrivals in 1997 which inclusive business and official arrivals) is totally disproportionate to the huge Japanese market size (in 1997 figures, some 17 million departures overseas; 1. 5 million arrivals to each Korea and the China Mainland).

As analyzed in Section 4.3.2, under the "Mongolian Position in the Japanese Market," Mongolia will not become a mass-market general interest destination comparable to that of Korea and China because of the lack of distinct world-class tourism resources and the lack of a variety of activities diversity in the nature. Yet, with the above two advantages mentioned earlier, Mongolia will no doubt have an opportunity to evolve from the current the SIT / niche market destination of a very small and limited market base to a mixed interest destination that appeals to a much larger market base.

4.3.5 Issues and Challenges Facing Mongolian Tourism

Mongolian tourism faces a mountain of issues to address if it desires to evolve from the current SIT / niche market destination to a mixed interest destination. The three most important areas needing immediate remedial measures will be discussed here.

1) International Air Access

The current air access (MIAT flights) to Mongolia from the developed source markets of East Asia and the West are limited to only two flights from Japan (Osaka) and one flight from Seoul per week, each operated with a smaller capacity B-727 aircraft. The remaining 15 flights per week serving UB are all from the former Soviet Bloc countries (Moscow, Novosibirsk, Irkutsk, Ulan Ude, Berlin*) and China (Beijing and Hohhot).

*Berlin is now part of a unified Germany, but the German civil air transport hub is Frankfurt, not Berlin.

If Mongolian authorities are serious about developing tourism in the longer term, they need to be more eager in welcoming established foreign air carriers in the developed source market countries in East Asia (such as Korean Air, Asiana, Cathay Pacific) and the West, by offering a more friendly environment and facilitative measures to encourage and attract them to service the UB route.

2) Hotel Service in UB

Ulaanbaatar is the sole gateway and the sole urban tourist service center as well the center for Mongolian tourism. Though much improved in recent years after democratization, the hotel service in UB is a constraint for its tourism to growth and expansion.

Service provisions require immediate improvement, typically this is apparent in the Chinggis Khaan Hotel. A hollow hotel superstructure by international standards will not satisfy the needs of modern tourists. Erratic and inefficient restaurant service, lack of coffee shops and room service, lack of day-to-day facility maintenance (room, bathroom, elevator, lobby and entrance) are some of the areas for improvement to be given priority over the casino operation which has currently been made available.

3) Attracting Internationally-Established Airlines and Hotel Operators

The fact that Mongolia now welcomes international airlines / hotel operators will send a clear message to the market (general public as well as prospective investor / operators) in the developed source market of East Asia and the West, that Mongolia has now become a truly open country toward a market-oriented economy.

Established international airlines/hotel operators will mobilize their own publicity /advertising / sales promotional resources and mechanism, applying their refined marketing techniques, once their service/property is established in Mongolia. These promotional efforts are exercised primarily for the interest of selling their own service / property. However, the cumulative promotional efforts by each and every airline / operator to sell their Mongolian routes / products will have a far greater impact on the prospective market in the developed source markets than an incidental and isolated approach by Mongolia with limited funding and unsophisticated marketing techniques.

The promotional stance that the Mongolian Tourism Department and its tourism industry should take is to consolidate and coordinate their collective efforts with those deployed by the international airlines / hotel operators, taking advantage of their superior marketing effort both in quantity and quality and ultimately increasing the market exposure of Mongolia as a desirable tourist destination.

4) Domestic Air and Road Network

Two major constraints exist in the area of domestic transport, another crucial factor for long-term tourism development. The first constraint is Mongolia's unreliable and uncomfortable domestic air service which hardly satisfies the international norm, and the second being its generally poor road network and its level of maintenance.

Domestic air routes are currently serviced by antiquated Soviet-built Antonov type aircraft. Even MIAT officials admit the difficulty of securing maintenance and repair parts for these aircraft. One Mongolian tour operator reports that many of his customers (tourists from the West) express fear of flying in these aircraft. The planned introduction of the ATR-72 (built by the Italian subsidiary of the Airbus consortium) by Year 2000 is a definite improvement in the situation.

Local airstrips (grass and dirt surfaces) without any navigational control systems is another serious constraint, causing frequent changes and cancellations of already very limited scheduled flights. Increment weather conditions in Mongolia (sudden changes of climatic condition such as sand storms) further aggravate the situation. Unreliable flight operations is the main reason why the majority of Japanese tour operators only feature tourist Ger camps accessible by surface transport, with the exception of the Omonogovi camps.

Chaotic booking control, check-ins, boarding and baggage handling is the final area which needs to be addressed immediately. The current level of the service systems and provisions is hardly acceptable from the normal international level of practice. Even the *Lonely Planet Guide of Mongolia* (1997 edition), compiled mainly for backpackers, SIT and adventure seekers, advises its readers as follows:

The second transport constraint is the generally poor road surface even of the major tourist routes such as the UB / Harhorin section (380 km). Some 32-km at the Harhorin end has only a dirt surface and is not paved yet (pavement construction for this sector is in progress. Construction is scheduled to completed by the end of October 1998).

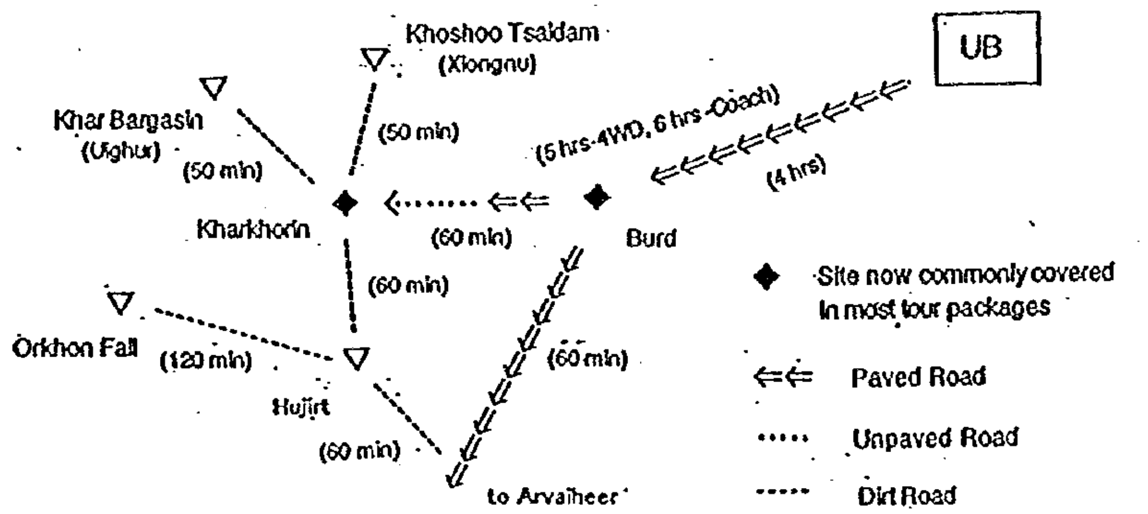
All roads branching out from Harhorin to connect with major tourist sites identified around Harhorin are either dirt or beaten tread on grass plains (which is quite an eyesore as well as a serious environmental problem). These are sometimes difficult to traverse with 4-wheel drive vehicles.

If both shortcomings in domestic air and surface transport are corrected, at least for the major sectors frequently covered by package tourists, enormous potentials will emerge for new tourist route development as well as new tourism product creation. A Case Analysis of Harhorin Area is exercised as shown in Figure 4.3.4, comparing the current tourist movement patterns based on the existing service provisions of the infrastructure with the potential tourist movement patterns based on the future improved infrastructure provisions.

Case Analysis of Kharakhorum Area

Present Condition / Tour Pattern

Appeals limited to SIT/Niche market (by the size of 3,000~5,000 visitors a year)



Improved Condition / Potential Tour Pattern

Appeals also to Mixed Interest market (by the size of 20,000~30,000 visitors a year)

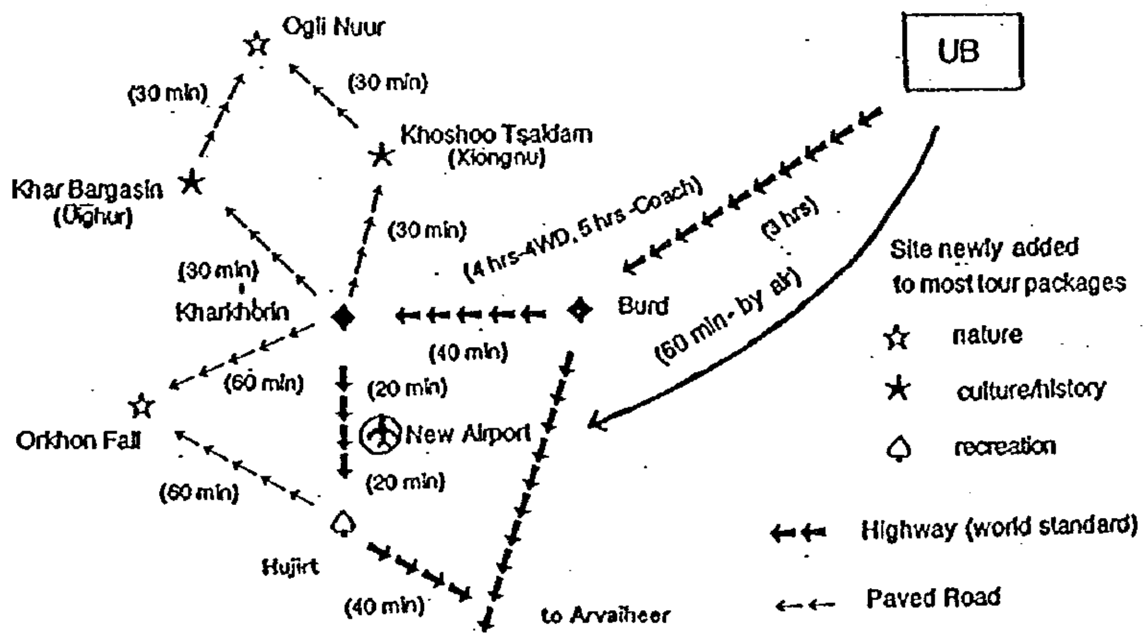


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Figure 4.3.4
Case Analysis of Harhorin Area

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