

Investors checking out of 'Hotel Mongolia' in limbo

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Welcome to the 'Hotel Mongolia.' It's a lovely place. But you might not be able to leave.

For about 50 foreigners — miners, accountants, bankers and charity workers mostly drawn here by the country's resource boom — the lyrics of the Eagles song turned into reality when Mongolia prevented them from leaving the country.

Some of those under the travel ban say the cases involve probes of their employers that have dragged on months or even years. "My career has been destroyed and I don't know when I will be able to leave," said Philippines citizen Hilarion Cajucom, who was an accountant at SouthGobi Resources (SGQ) Ltd when the Canadian company was accused of tax fraud by the government.

Cajucom and former SouthGobi colleague Cristobal David have been prevented from leaving Mongolia since 2012.

Many foreigners interviewed for this story asked not to be named for fear of reprisals from the authorities. All denied allegations against them. Some described their situation as a strange limbo in which they retain their passports, haven't been charged with any crime, yet they have been told by the police they will not be allowed to leave the country.

Court Hostages

James Liotta, a partner at Mahoney Liotta LLC in Ulaanbaatar, said that as a signatory to the International Covenant on Civil and Political Rights, Mongolia should not be using commercial disputes to deprive people of their freedom of travel.

Spokesmen at Mongolia's Independent Authority Against Corruption and the Prosecutor's office said by phone that they would not comment on travel bans on foreigners to the media. They declined to answer e-mailed questions or be named.

Puntsag Tsagaan, the chief of staff at the office of the president Elbegdorj Tsakhia, said it was not appropriate for the presidential office to comment on the issue.

The detentions stem from deep-seated cultural issues, said Jack Weatherford, author of “Genghis Khan and the Making of the Modern World.” In the Mongolian view, expatriates are accountable for the actions of their employers.

“For centuries, foreign rulers sent their sons and brothers as hostages to the court of steppe leaders,” Weatherford said. “The hostage took the blame and punishment for any misdeeds. Foreigners working in Mongolia are often in a precarious position without realizing it.”

Nomad Land

The stranded started off with a common dream — wanting to experience Mongolian nomad culture and its vast deserts and steppes while cashing in on an energy and commodities boom that created what was until recently the world’s hottest economy.

The GDP of the landlocked country squeezed between Russia and China soared 17.5% in 2011 as its huge coal, copper and gold deposits were excavated and shipped across the border to feed China’s economy. Then came a downturn in commodity prices and a dispute between Mongolia’s government and the country’s biggest investor, mining giant Rio Tinto Group, over financing costs — a rift now in its second year.

As foreign direct investment fell 54% last year, Mongolia sent officials on tours to Singapore to New York in the last six months to revive their country’s appeal. Those already invested say Mongolia should first fix its domestic policies.

“The travel bans add to the uncertainty and the already negative mood,” said Michael Preiss, co-founder of Mongolia Asset Management Ltd, an investment advisory group based in the capital Ulaanbaatar. “For some it’s the nail in the coffin that this place is just not worth it.”

Windowless Cells

Some called in by Mongolia’s anti-corruption police describe day-long interrogations in windowless cells and bolted-down chairs. This can be repeated over months, again with no charges filed.

Banker Chris Bradley said his six-week experience at the end of last year erased the happy memory of a decade of working in Mongolia.

Bradley had come back to Ulaanbaatar to recover debt on a loan gone sour for South Africa's Standard Bank and was told he could not leave because the Mongolian borrower was being investigated for corruption. The bank confirmed at the time that Bradley was being held and said it was "cooperating" in the investigation.

Skype Life

"Before I would have said to everyone that Mongolia out of all these frontier markets is unique because it's quite safe. But, you run afoul of the machinery there and I've learned that your freedoms can be taken," Bradley said.

While Bradley was freed and left for Australia in late December, Cajucom, the Philippine accountant, maintains his family life — birthdays, graduations and funerals — through Skype. Cajucom said he was denied permission to attend the funerals of his mother-in-law and father-in-law in the last 6 months.

The family of Cajucom's ex-colleague David lost their home in the Philippines in a storm last year and had to be evacuated, all while both men are trapped in Mongolia on allegations their former employer evaded taxes between 2007 and 2011.

"Deep inside there is a struggle of why, why, why? And what is going to happen next," said Cajucom in an interview in Ulaanbaatar. "It's a personal struggle but I have to think on the bright side, that this is the bottom and there is only one way, and that is up."

Ulaanbaatar Jail

Cajucom and David's former boss is Minnesota native Justin Kapla. He was president of the local SouthGobi unit for just six months of the period during which Mongolian police say the company committed a US\$50 million tax fraud and now owes a further US\$30 million in penalties and interest, according to Kapla. He contends that less than US\$1 million is owed.

"SouthGobi disputes and will vigorously defend itself against these allegations," spokesman Altanbagana Bayarsaikhan said by e-mail.

Kapla has been in Mongolia for 11 years, is married to a local and has two children. Being on a travel ban the last two years, he says Ulaanbaatar is his prison.

"When you can't leave and you can't travel, it doesn't matter if your jail cell is six-by-nine or Ulaanbaatar city."

Kapla enlisted the help of three US congressmen and senators to plead his case. Almost two years on, he says he hasn't been charged with a crime. He can't visit an ailing stepfather or let his three-year-old daughter and 13-year-old stepson meet their US family.

Hollywood Arrest

The list of people on a travel ban includes a number of Korean and Chinese nationals, according to Kapla, and is not limited to executives.

Didi Kalika, an Australian, is head of the Lotus Children's Centre, a local orphanage. A former employee accused Kalika of embezzlement and the probe into that has stopped her from leaving Mongolia since January. Her request to travel for the birth of her first grandchild was rejected. She denies the allegation.

Australian Sarah Armstrong, formerly a lawyer for SouthGobi, says she learned that she was banned from travel in a scene straight out of a Hollywood thriller. Armstrong was waiting for a flight to Hong Kong in the VIP lounge at Chinggis Khaan airport in October 2012, when familiar faces emerged from the crowd.

Plain-clothed police officers who had spent hours in SouthGobi offices interrogating staff approached her, pushing an intervening female airport staff member to the ground. Armstrong was whisked back to the city in a squad car.

"I was obviously scared," said Armstrong. "It was surreal. I couldn't believe they could hold me there on no grounds."

Jail Bag

Weeks of interrogations over SouthGobi finances followed, in which Armstrong said she spent most of the time explaining to policemen how a western company works.

"They didn't know what a board of directors was," she said.

For the months she was detained, Armstrong said she lived with a bag packed just in case she was jailed.

After considerable media attention, Armstrong left on Christmas Eve 2012. She says she is free to go back to Mongolia, but it's not on her list of destinations.

The biggest loser is Mongolia's economy, say Armstrong and Bradley. Bradley is looking at opportunities in Myanmar, Colombia and Africa. "I'm going where I'd like to do business."

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