

# Changers:

*From Steppe to Market, and Beyond*

Connecting the Pastoral Economy of Livestock By-products

An Independent Study Project by

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*DRAFT*

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# ABSTRACT

*Changers* are traders who emerged during the traumatic early 90's as an organic answer to Mongolia's problems of economic disconnectedness, revealed by the collapse of the regional socialist framework. Today, despite more than fifteen years of transition, they remain a vital piece of the Mongolian economy. Connecting herders to factories and to Chinese merchants, they allow for goods to navigate Mongolia's notoriously sparse landscape economically.

Focusing on one sub-group: those who trade the livestock by-products skins, hides, wool and cashmere, this paper aims to understand them as a phenomenon: how and why did they emerge? What is their role in **today's** Mongolia? How has *changing* evolved, and will its evolution continue? Is there a place for *changing* in post-transition Mongolia?

Despite evidence of *changing's* transitional "ad-hoc" nature, the institution seems to be evolving in step with the economy as a whole. The further up the supply chain one looks, and the more volume a changer processes, the more formal their operations. For now, the vast majority still operates firmly in the informal realm, with little official contracts or business agreements, but the future is far from clear. *Changers* seem to appreciate the benefits of evolving along with the economy; without such evolution the place for these traders in the future is uncertain.

The paper closes with a look to the future: as factories begin to search for formal contractual arrangements to ensure predictable supply, *changing* becomes a target for formalization and incorporation. What does this mean for the future of these notoriously *individualistic* and *unorganized* traders? Will they cease to be *changers*?

# TABLE OF CONTENTS

Abstract .....	i
Table of Contents.....	ii
Acknowledgments .....	iii
List of Figures .....	iv
Glossary of Terms .....	iv
Introduction.....	1
<i>Research Goals</i> .....	2
<i>Methodology</i> .....	4
<b>I. The Emergence of Changers .....</b>	<b>5</b>
<i>Pre-Marketization</i> .....	6
<i>Traumatic Transitions</i> .....	8
Privatization of the Negdels .....	10
<b>II. Changers, Today .....</b>	<b>12</b>
<i>The Business</i> .....	12
Trust and Reliability.....	13
Mapping Changes: Network and Hierarchy.....	14
A Network Overview .....	15
Övörkhantai Aimag: Arvaikheer & Harkhorin .....	17
Aimag Change: Arvaikheer.....	18
Arvaikheer Market: .....	20
Portrait of a Middle Change: Örshökh.....	21
<b>III. Conclusion .....</b>	<b>22</b>
<b>IV. References .....</b>	<b>24</b>

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<sup>1</sup> *Lastly, I'd like to thank Mr. Yandonsambu, head of the Wool and Cashmere federation, for providing me with these closing lines (his response when asked for a meeting) "No. I'm busy. And sick of all these annoying students!"*

## LIST OF FIGURES

Figure II-1. An Illustration of the <i>Changing Network</i>	15
Figure II-2. Ganaa's Skin Storage Area, Harkorin <i>Soum</i> , <i>Övörkhangai Aimag</i>	18
Figure II-3. Gantömör & son unload countryside skins to Sanjaa's waiting trailer	20

## GLOSSARY OF TERMS

aimag: *the largest administrative division: Mongolia has a total of 21 aimags.*

öökhgüi buuz: *“without-fat” traditional Mongolian dumplings /*

*huushuur: fried meat-filled pockets.*

soum — *the second-smallest administrative division, bigger than bag, smaller than aimag.*

# INTRODUCTION

The end of socialism, and the subsequent rise of free market democracy in Mongolia ushered in an era of traumatic economic transition whose effects can still be seen and felt today, some fifteen years later. One lingering product of these years are the *chenjүүд* (Mongolian, plural. Singular is *chenj*), or *changers*<sup>2</sup>, a group of traders who emerged during this period to reestablish vital economic ties, which had been dismantled along with the centrally planned economy that created them. This paper examines the emergence of the *changing* phenomenon (specifically, *changing* of skins, hides, wool and cashmere), its evolution and current state, and prospects for the future.

Providing both formal and informal economic links between producers and consumers, *changers* allow for rural economies to exist, despite a general lack of infrastructure and low population density. Another function closely tied to the transitional period from which they came, is their role as a financial support for manufacturing. Not only do they help the herders who have products to sell, by bringing them to the people who want to buy them in the city, but they help the factories in Ulaanbaatar continue to function even when they can't finance the cost of their inputs. Rather, than buy all input materials at market price, factories have become service providers, charging a fee per skin for processing.

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<sup>2</sup> There are two forms of the word in English. The first, used above, is the original word in English: s. *changer*, pl. *changers*. The second form is a re-translation from the Mongolian: s. *chenj*, pl. *chenjүүд*. In English: s. *change*, pl. *changes*. "There are many big Chinese *changes* at Emeelt." Both terms are acceptable and the two will be used interchangeably.

## *Research Goals*

The general research goal was to obtain an overall picture of how and why changing began, what it has become, and its role in the future of Mongolia. *Changers* present a wide spectrum of economic activity, and can be found *changing*<sup>3</sup> most anything; thus, this study focuses on a subset: those who trade skins, hides, wool, and cashmere. However, those interested in other changing sectors need not despair, certain similarities regarding the emergence of *changing* as a phenomenon (especially those related to the macroeconomic environment, and its financial impacts) are shared with other *changing* sectors.<sup>4</sup> During this particular study period (November) it was the season for skin and hide changing, so out of the four products, these two received more attention in the field.

It was the word *chenj* in Mongolian that first drew me to learn more about these mysterious traders. After studying Mongolian language for three months, I was familiar enough with the basic lexicon to know that loan-words from English are few and far between, if they exist at all; or, they are recently created, such as terms for "email" etc... that have made their way into most languages it seems. So it was clear from the start that changers were not an 'indigenous' phenomenon; there was no changing tradition, or history (or if there is it has been widely forgotten). The one similarity is to the age-old *merchants*

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<sup>3</sup> The verbal form, meaning: *exchange; trade; to change hands, pass to a different owner* (New Oxford American Dictionary, 2<sup>nd</sup> Edition).

<sup>4</sup> Specific examples encountered by the author during the study: scrap metal, plastic and glass bottles, currency, wood, meat, dairy products, flour, motorcycle batteries, intestines (included with skins along most of the supply chain), illegal animal products (such as horns and antlers), stone, gold and other mined products. There are surely many more, and new possibilities are created as prices ebb and flow, and new products enter the market; anything that can be bought and sold can be changed. As one changer put it, "I've changed everything! But I never did human trafficking..." Enkhjargal, *Market costs of a large clearing in*

who would travel along the Silk Road trading spices and silks and anything else they could take with them. The market is an ancient institution, after all. So why weren't these people called "merchants" or the like? Clearly they have acquired an identity of their own, one strong enough to attract a name derived from English (the name *chenj*, didn't come from the changers themselves). Also, for the first several years, these traders went by a different name, *naimaa xiine* (deal maker). It is not clear where the name "chenj" actually came from. The few changers who were around long enough to see the switch had little to say about it, other than that it comes from English.

They clearly are a vital player in the Mongolian economy, yet the only mention they receive in the various literatures is peripheral; for the nomads they are the buyers (good or bad), and for industry they are the inefficient, but necessary, suppliers. Market transition theorists have done some relevant theoretical work describing the changes in economic opportunity structures following the collapse of centrally planned economies. While this work doesn't mention changers by name, they clearly fit the discussed frameworks. The drastic movement from very tightly controlled to completely unplanned and market driven (that is, the 'autonomous market sector') epitomizes the circumstances under which changing began.<sup>5</sup>

### *Audience*

This paper should be useful to anyone interested in understanding a little studied, and often-misunderstood facet of the Mongolian economy. Whether it be policy-makers, NGO's, or other students, hopefully this paper will begin to illustrate this fascinating

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<sup>5</sup> Cao and Nee, "Comment: Controversies and Evidence in the Market Transition Debate," 1175-1189.

phenomenon, and provide some idea of its place in Mongolia's past, and its role in the future. More specifically, anyone aiming to understand the pastoral economy would benefit from an alternate view, the first to be presented from the perspective of the changers. Hopefully, this difference in viewpoint will present the economy in a new light, as well as filling in some holes regarding the nature of the oft-maligned *changers*.<sup>6</sup> Lastly, since changers truly are a product of their environment, this paper, and the changers it discusses, provide a perfect example of the organic, 'autonomous economy' mentioned in the transitional market theory literature.

### *Methodology*

There were two main avenues for data collection in this investigation: interviews & participant observation, and written sources. Quantitative data was mostly obtained from written sources such as government statistics, or company reports, but a good deal of less precise quantitative data was also collected during interviews. The most valuable qualitative data was collected through personal interviews (formal and/or informal) as well as participant observation. The initial hope was to collect more comprehensive quantitative data through interviews with changers (i.e. Sufficient data to map economic linkages), but shortly after setting out it became clear such ambitions were beyond the scope of this paper (given the time restrictions). The interviews themselves were fairly standardized, but depended heavily on the delicate social atmosphere within which the study was conducted (changers are a suspicious and private group); moreover, the series of questions evolved as my ideas developed – new questions were added, and some background questions (about

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<sup>6</sup> Yondonsambuu, *Establishment of a Collection and Distribution Network in Mongolia*.

the mechanics of the business) were dropped.

The first research period consisted of about one week of study in the Ulaanbaatar area. This included trips to the major meat markets, as well as a skin processing factory, and of course the two main changing markets outside the city: Emeelt and Nalaikh. The second phase took place in the countryside: first Harkhorin<sup>7</sup>, then Arvaikheer, both located in Övörkhangai *aimag* (district) (the former, a fairly large *soum* center (provincial capital), and the latter an *aimag* center (district capital)). The hope was to see first-hand how different levels of changers operated, by living with them (in Harkhorin) and conducting extensive personal interviews. One limitation of the particular places chosen is that Harkhorin more closely resembles an *aimag* center than a *soum* center, albeit at a vastly smaller scale than the actual *aimag* center, Arvaikheer.

## I. THE EMERGENCE OF CHANGERS

This section will begin with a review of certain elements of the historical pastoral economy, divided into two phases: 1. Pre-Marketization, and 2. Traumatic Transitions: Marketization and Beyond. The former is useful as a context within which to understand Mongolia's unique economic geography. The latter will receive the greatest emphasis as it

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<sup>7</sup> A note on transliteration. Though initially, this paper used a new system for transliterating (namely, *x* in place of *h* and *kh*), this decision was later reversed, and a more traditional system was chosen instead. This system is identical to the BGN/PCGN 1967 system (See Pedersen, *Transliteration of Non-Roman Scripts: Mongolian*) with one: Cyrillic “x” is Romanized as *h* if it occurs at the beginning of a word, otherwise *kh* is used. This alteration mostly addresses the issue I had with the typical Romanisations (which tend to use *Kh*). The name of Chinggis Khaan is now notoriously mispronounced as ‘Genghis Khaan’, not to mention the proliferation of *khaan* as “kaan” through venues such as television shows (Star Trek). Thus, by changing the initial “x” to *h*, I hope readers will at least avoid an association with this misconception.

represents the years when changers were forged, from the fiery furnace of economic hardship.

## Pre-Marketization

Prior to socialism, Mongolia was essentially a feudal society, with herders managing the livestock owned by the political and ecclesiastical elite. According to Humphrey and Sneath, pastoral economic activity can be classified as, “operating within a range of productive activity bounded by two ideal-typical poles;” namely ‘yield-focused’ or ‘specialist mode’ and ‘subsistence mode’.<sup>8</sup>

The first model, ‘specialist mode’ is characterized by the ownership of large number of animals by a single agency, high mobility: frequent movements of great distances, and most importantly a ‘yield-focused’ production strategy. For herders, this strategy meant a focus on “maximizing return on herd-wealth”; the reason being, as subordinates they had contractual obligations to fulfill certain quotas, leaving them only surplus production for their own consumption. This mode is also characterized by economies of scale, since for herding the marginal labor cost is low: greatly increasing the amount of animals requires only a slight increase in labor.<sup>9</sup> Compounding the ‘yield-focus’ of the herders, for their own subsistence despite extracted tribute, was the fact that by the end of the 19<sup>th</sup> century, much of the Mongolian elite was indebted to Chinese merchants. This required even greater intensity of herding, so they could finance the debt and still be able to support their lavish

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<sup>8</sup> Humphrey and Sneath, *The End of Nomadism?: Society, State and the Environment in Inner Asia*.

<sup>9</sup> *Ibid.*, 225.

lifestyle.<sup>10</sup>

The second mode, 'subsistence mode' is characterized by a focus on satisfying only domestic requirements, by producing all the necessary products for sustaining a herding family. There are no contractual obligations, and all produce is retained for domestic consumption. All herders included aspects of this mode, if only for certain sectors such as milk and other dairy products.<sup>11</sup>

Following the abolition of the 'feudal' order, there was a shift towards the 'subsistence' mode, as previous 'yield focused' production had been organized by the feudal elite. Following the communist revolution collectivization and the move to a socialist economic model began. Interestingly the structure of the pastoral economy remained much the same as during feudal times; namely, it was characterized by "centralized, commandist politico-economic units". The feudal elite was essentially replaced with collectives, and the 'specialist mode' again returned to prevalence.<sup>12</sup> One difference during this new era was the large amount of procurement and export by government. For example, 1985 procurement included 207,000 tons (live weight) meat and livestock, and 87,400 head of horses of which 61,500 tons, and 63,100 horses were exported. Other important elements of this system were the operation of state-owned factories, which signed contracts with the *negdels* (herding collectives). The *negdels* were then responsible for filling these contracts, and provided all the necessary services and infrastructure for the herders who supplied it.<sup>13</sup> This

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<sup>10</sup> Ibid.

<sup>11</sup> Ibid., 226.

<sup>12</sup> Ibid., 231.

<sup>13</sup> Ibid., 232.

model continued throughout the more than 70 years of socialist governance in Mongolia, with some reforms beginning in the 1980's following *perestroika* (economic liberalization) in the Soviet Union.

## Traumatic Transitions

Most interesting to the development of *changing* is the earliest, and most tumultuous period between 1990 and 1993. During these few years Mongolia found itself suddenly alone, without funds, technical assistance, or trading partners. The Mongolian economy (as measured by GDP) peaked in 1989, thanks to a decade of Soviet-aid-funded growth (30% of GDP in 1980); with an average growth rate of 6.2%. The following year was the beginning of Mongolia's economic decline, triggered by both external and internal shocks. The former included the disappearance of vital Soviet Aid and the ballooning of Soviet debt (by 1990, US\$15 billion, in 1993 prices), the domestic shock of newly applied liberalization and market transition policies.<sup>14</sup>

More shocks soon followed: in 1991 the Soviet Union terminated all financial and technical assistance, leading to a drastic drop in production among Mongolian industry. That was followed by the dissolution of Mongolia's main trade facilitator, the Council for Mutual Economic Assistance (CMEA), the result of which was reduced the barter trade with Soviet and Eastern European countries, leading to shortages of essential raw materials, oil, machinery, spare parts and other items. The combined result of these two traumas was massive inflation, reducing the effective GDP to 72% of its 1989 peak, with per capita

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<sup>14</sup> Ueno, "Mongolia's Transition."

GDP at 67% its previous levels.<sup>15</sup>

New Soviet trade policy replaced the old barter-economy with hard currency. Yet due to its own economic difficulties, having currency was far from a guarantee of actually being able to get goods from Russia. These developments were especially troublesome for Mongolia, whose trade relations had been almost exclusively Soviet and CMEA oriented with the Soviet Union (85% of foreign trade!), or the wider community of Council for Mutual Economic Assistance (CMEA) countries (94% exports, 97% imports).<sup>16</sup> With supply lines all but severed, shortages of basic goods and raw materials soon followed. This was accompanied by a dramatic drop in industrial output, due to difficulty in acquiring inputs and spare parts, and more importantly, the complete termination of all Soviet financial and technical support in 1991.<sup>17</sup>

In an attempt to cushion the impact of the soaring inflation the Mongolian government passed a price reform bill that doubled salaries, pensions, bank accounts and prices of certain key items such as milk and bread, while simultaneously decontrolling prices for 41% of foodstuffs, and 33% of consumer goods. Other efforts included devaluing the tögrög by 300% and instituting a ration system for certain critical goods, such as meat. “Nevertheless, the Mongolian economy plummeted.”<sup>18</sup> The country was plagued with power failures that further interrupted industrial production, as well as the water supply. By

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<sup>15</sup> Ibid.

<sup>16</sup> Goldstein and Beall, *The Changing World of Mongolia's Nomads*.

<sup>17</sup> Ueno, “Mongolia's Transition.”

<sup>18</sup> Goldstein and Beall, *The Changing World of Mongolia's Nomads*.

1992, 1/3 of Mongolian factories were idle due to lack of power and spare parts.<sup>19</sup>

More importantly, the government did not include the herders' "wages" in their price control bill; meanwhile the price of goods doubled, as did most salaries, the price of sheep and goat meat only increased 60%. Consumer prices soared as inflation took over: A brick of tea that cost 10T in 1990 was 20T in 1991 and 600T by July of 1992; 1 pound of sugar was 1.1T in 1990, 2.3T in 1991, and by 1992 had reached 63T.<sup>20</sup> Herders were confused, frustrated and outraged. In their words: "We don't understand why the government has doubled and tripled the prices of all the things we have to buy but not the things we produce."<sup>21</sup>

### **Privatization of the *Negdels***

A parallel development, starting in 1992, was the conversion of the *negdels* (herder collectives) into shareholding companies. This was not necessarily a positive development for the pastoral economy, "Beginning in 1992, the herders no longer had to sell their products to the state; conversely, the state no longer guaranteed that it would buy the herders' products and provide the commodities and foodstuffs they required."<sup>22</sup> While initially it planned on complete privatization, the government backed down once the herders began to voice their political grievances. At a conference of *negdel* members in Ulaanbaatar, herders gave testimony and protested forced privatization:

So while having more private animals would be wonderful, it would not necessarily be advantageous if we were unable to sell our goods and buy what we need. Consequently,

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<sup>19</sup> Humphrey and Sneath, *The End of Nomadism?: Society, State and the Environment in Inner Asia*.

<sup>20</sup> Goldstein and Beall, *The Changing World of Mongolia's Nomads*.

<sup>21</sup> *Ibid.*, 117.

<sup>22</sup> *Ibid.*, 135.

we decided to privatize part of the animals but to stick with the negdel [share company], at least for the time being, since it can deal with things like markets far better than we could ourselves.

They were saying that we would have a better life if we became private herders, but when we thought carefully about it we didn't see any big benefits from going private. [Like last year], we do not know where to sell our animal products. We are far from the big cities, and even from Hovd (four to five hour drive)...<sup>23</sup>

Another development of this time was the beginning of trade with China.

Especially for outlying regions, trade with China provided one possible way to relieve the pressures caused by the end of Soviet trade. For example, Moost soum in Hovd aimag received their first shipment of Chinese goods in mid-August 1992. The new China trade allowed this particular aimag to trade in an economical manner, since transportation costs were far lower. An additional benefit was the ability to obtain hard-to-find, or unavailable commodities from China, without hard currency.<sup>24</sup> As this example illustrates, one of the major issues during transition was the integration of herders with the greater economy.<sup>25</sup>

## Effects

The effect of institutional changes (dissolution of large producers) was that:

The specialization and economic integration of the negdel period has largely been lost. The state farms and negdels produced on a large scale for particular known state purchasers, and they also had breeding programmes for special purposes. Now, in general, the herders are all producing the same things at the same time, which causes a lowering of prices, and there are few guaranteed purchasers. In the past this situation was an important cause of the indebtedness of Mongol herders to Chinese traders.

Some examples from Dornod aimag: The newly freed soum government took on the role of trade organizer and set meat prices though dialogue with the local factory.

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<sup>23</sup> Ibid., 119.

<sup>24</sup> Ibid., 141.

<sup>25</sup> Humphrey and Sneath, *The End of Nomadism?: Society, State and the Environment in Inner Asia*.

Additionally, it began to "barter sheepskins and cattle hides for commodities with private traders" indicating the beginning of the age of changing.

Additionally, there began to appear a division of wealth, as some took advantage of their new economic freedom to start businesses:

"The very rich do not become so from pastoralism, but from business and entrepreneurial deals. Client networks with district and country officials are crucial to success (see Sneath 1993a) and sources of large income are increasingly from outside Mongolia. This is true even of a district like Bayantümen [Dornod], which is not on the frontier."

## II. CHANGING TODAY

### The Business

*Changing* is essentially about two things: Money, and Information about money (prices). Arranged in a hierarchical network, a changer's position is both indicated by, and determined by her or his access to these two things. If one examines the daily life of a *big aimag changer*, it becomes clear just how prominent a role prices play in their lives.

What makes a good change? A changer's ability to succeed is directly proportional to their access to information. When asked why he emerged from the first years of changing so far ahead of the rest, Sanjaa replied: "I went to border and got information about prices – everyday I called to border and asked what the prices were doing. [*Did the other changers?*] No."<sup>26</sup> Pricing information is so crucial because of the extreme risks inherent in the changing business. With prices fluctuating as much as 1,000 tögrög every day, an uninformed changer is essentially working blindly, with no idea of the real worth of

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<sup>26</sup> Sanjaa, *Personal Interview, Arvaikheer*.

what they're buying.

## **Trust and Reliability**

One more important factor that is growing stronger with increased competition is trust, reliability and reputation. Given the informal nature of this economy, trust and reliability are vital to acquiring and retaining customers. Several times during my study the issue of trust came up, every time it was related to honesty or dishonesty in pricing practices (reiterating the importance of information about money). For example, in Arvaikheer, one change in particular is known to be dependable, trustworthy, and a source of reliable pricing information. Thus herders come from all around to sell their skins, and they refuse to sell to anyone but him — not even to one of his subordinates who collect the skins for him. Sanjaa understands the importance of maintaining this reputation, and he is sure to pay the herders a bit more than market price to keep them happy.<sup>27</sup>

It also seems that trust and reliability are becoming much more of a criteria than they ever were. As competition increases in all the major centers of changing activity, changers must find ways to differentiate themselves for the crowd. The fact that trust and reliability are important now may be a sign of the overall shift in changing from a 'get-rich-quick' type atmosphere, to one of sound, sustainable business practices.

Also, factories are beginning to make their way to the aimag centers to establish collecting points for raw materials. Being a business with contracts to fulfill, they need regular suppliers who can supply an agreed-upon number of skins, on a regular basis, or as

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<sup>27</sup> Ibid.

needed. While systems of this formality are likely only present at Emeelt (since that is the only place with true, registered "changing companies", who have official stamps and can sign business contracts. Yet this attitude is already working its way down the food chain as the economy shifts towards a more formal supply structure.<sup>28</sup>

### *Mapping Changes: Network and Hierarchy*

All the decisions undertaken by herders and changers rest on basic market economic principles. If a herder can't achieve an economy of scale, s/he will sell their goods to someone who can (usually a soum changer), or band together with other herders. Armed with the latest price information, they now have stronger bargaining positions, and thus prices have fallen relative to UB. As a result of this, perceptions are also changing; herders no longer resent changers. Rather, they see them as a necessary part of the economy, and the only way to get their goods to market economically.<sup>29</sup>

Changers in the animal product sector exist on interacting, but distinct levels. While it can be difficult to determine where the line is drawn (who is "big" and who is "medium"), there is a clear hierarchy; moreover, there is a delineation between those with their own working capital (or at least easy access) and those who rely on daily informal loans as a substitute for wages. Using Arvaikheer and Harkhorin as a model for changing markets of different sizes, the following is an inventory and analysis of the changing structure. Taken as a whole, *changers* form a highly complex and dynamic network that is illustrated below in **Figure II-1. An Illustration of the *Changing Network*.**

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<sup>28</sup> Ankhaha, *Personal Interview, Arvaikheer (Inspector of Labor and social Protection, former Changer)*.

<sup>29</sup> Ibid.

# The Changing Network

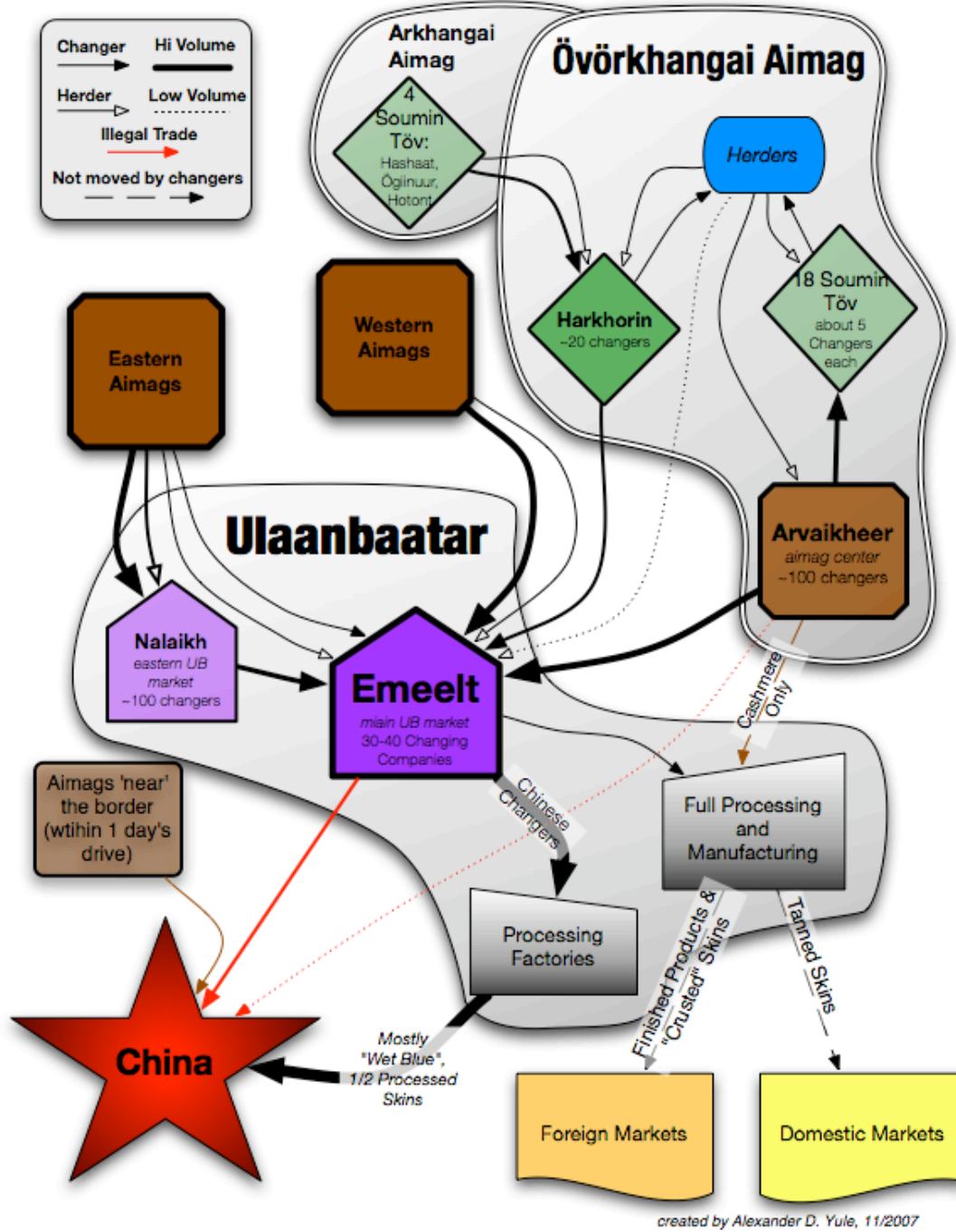


Figure II-1. An Illustration of the *Changing Network*

## *A Network Overview*

As the illustration above shows, the *changing* network is quite complex and depends

on many different variables to determine its actual configuration in any one instance. There are no 'hard and fast' rules: while herders from the far west generally sell their skins to local changers, it is not unusual to find an occasional herder at the Emeelt markets outside of Ulaanbaatar selling a load of skins from Uvs or Hovd; there are plenty of herders who need to go to UB for other reasons, and use the opportunity to bring a load of skins (theirs or someone else's). Despite exceptions such as these, the system still appears to function with its own internal logic, which is analyzed in greater detail below.

The network can be divided into several 'domains': that of the herder, soum changer, aimag changer, and Ulaanbaatar changer. Generally, goods are produced by the herder, and work their way up the hierarchy from soum, to aimag, to Emeelt (Ulaanbaatar). Depending on factors such as relative price, transportation cost, and individual needs (such as herders needing to purchase other products in UB) the goods may skip several steps, or even the network altogether, going straight from herder to the final Chinese changer at Emeelt. This is complicated by the fact that people living somewhat near UB may drive the extra few hundred kilometers if the prices are better enough at Emeelt than at the soum center. Likewise, if the price at Arvaikheer is the same as in UB, changers may attempt to smuggle the skins straight to China. As one changer from Harkhorin explained, prices dictate changer behavior almost entirely, so the network exists only insofar as pricing allows it to:

There is no real network. There is network, but it is kind of... I wouldn't call it a network, its just herders who have less skins and go to soum changes; then soum changes, if the price is similar, its not worth going to UB, so they sell to aimag change; then aimag

changes go to UB. Arvaikheer and Emeelt prices are almost the same. So Arvaikheer guys don't have to go to UB; they just sometimes go directly to the Omnogobî border and then go to china.

*Illegally?*

Yeah, illegally. Like goat skin, if it's higher price in China, then they just go straight there.<sup>30</sup>

## *Övörkhangai Aimag: Arvaikheer & Harkhorin*

The fact that Harkhorin is a soum is less important to the network than the fact that it has a large, growing population, and access to Ulaanbaatar via nice roads. So though Arvaikheer is the aimag center associated with Harkhorin, most changers go to Ulaanbaatar. As one changer explained while giving a picture of changing in the aimag (Övörkhangai):

About 200 changers in whole aimag. Biggest are Arvaikheer and Harkhorin. Most soums are small, maybe 5 changers each. Arvaikheer has about 100 changers. Harkhorin is only supplied by 4 soums, but Arvaikheer has 18. Arvaikheer is biggest, supplied by 18 because it has better infrastructure and good connection to UB; also there is lots of changing activity. In other aimags, people just go to the aimag center.

Harkhorin is different: it has a large population, and large market, and a nice new road. It's almost easier to get to UB than to the Arvaikheer. So one can compare prices between aimag center and UB by phone, and most either have own vehicle or can work with friends who do, and drive wherever the price is better. More distant aimags, and smaller, less connected soums, have stronger networks. Before, everyone used to give their skins to the soum, now everyone has mobile phone, can compare prices and if able, will travel to get better deal.<sup>31</sup>

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<sup>30</sup> Oko, *Personal Interview, Harkhorin*.

<sup>31</sup> Azjargal, *Personal Interview, Harkhorin*.



Figure II-2. Ganaa's Skin Storage Area, Harkorin *Soum*, Övörkhanga*i Aimag*<sup>32</sup>

### *Aimag Change: Arvaikheer*

In the beginning, there were only two changers, who worked together to trade cashmere. They managed to get a contract with a company in Ulaanbaatar, Altai Trade Company, who wanted to buy "lots of cashmere", and preferred the Övörkhanga*i* variety. During the following 3 months, the two changers bought between two and three tons of cashmere per day, with herders lining up at the door to the apartment (

For Aimag changers, especially those near border crossing points to China, pricing information affects everything they do – their daily life revolves around obtaining, relaying, confirming, arguing etc... about the price of whatever product is currently in season.

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<sup>32</sup> Taken November 11, 2007 by the Author

Aimag changers, using Arvaikheer as a model, are arranged into a network of informal business relationships that closely mirror formal employment. A handful (in this case, about 10) of *big* changers (*tom chenj*) form the foundation, and provide the working capital to support the rest of the *changers* (in the case of Arvaikheer, 90 or so, of varying capacities). Each big change has several smaller changers (usually called “medium changers” who borrow money each morning, and receive the latest price information. At the end of the day, they sell their products to the big changer at slightly better than market prices (this compensation represents their daily wages) and repay the loan, interest free. Every changer we met in Arvaikheer was involved in some form of similar relationship.<sup>33</sup>

Many own their own warehouses, which they use to stockpile goods during periods of low prices, as well as accumulate sufficient cargo to allow for an economy of scale in transporting to UB. Additionally, this property is sometimes extended as another support resource for 'employed' changers.<sup>34</sup>

Generally, the greater the size of a settlement, the more formal and businesslike the changers; It seems that more population increases competition, causing changers to adapt, and compete, leading to cooperation, de-facto contracts, etc... The clearest illustration of this was in Harkhorin, which is currently too big to be considered only a *soum* center, and some already consider it an *aimag* complete with *soums* of its own in Arkhangai aimag, to the North.<sup>35</sup>

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<sup>33</sup> Sanjaa, *Personal Interview, Arvaikheer*.

<sup>34</sup> Batcaikhan and Tserensukh, *Personal Interview, Arvaikheer*.

<sup>35</sup> Azjargal, *Personal Interview, Harkhorin*.



**Figure II-3. Gantömör & son unload countryside skins to Sanjaa’s waiting trailer**

### **Arvaikheer Market:**

The market at Arvaikheer consists of a large clearing across the main road from strips of stores, and parts of the container market. Changers sit in their cars, either parked along the road, or in the parking lot, waiting. Some drive around looking for people with skins, or going to pick up loads. Parking lot is privately owned, must pay a toll to enter; big changes pay monthly. Owner of the land bought it from the town. No big trucks really, or storage areas (here at least). Most changers wait in their cars, with signs advertising, “We buy everything!” or “Buying Skins and Hides” etc... People wanting to sell their skins shop around, asking prices before deciding to whom they will sell. If only a few skins, they may bring to changer, otherwise they tell the change where they live and s/he picks them up (the person may just get in the car and go all together). Smaller changes constantly flurry to the

biggest changes in search of pricing news from UB. The big changes are always on the phone, their entire business revolves around their cell phone, getting price and market updates from their sources at Emeelt, or even in China. For example, one of the biggest and most established changers in Arvaikheer, Sanjaa, says his phone bill is usually 50-60,000 tögrög/month, but during cashmere season it goes up to 120,000 tögrög/month.<sup>36</sup>

Örshökh says that the business has "changed a lot" and continues to change each year, most notably increases in costs and number of changers. According to her estimation, Arvaikheer sees ten people join the ranks of changers each year, and five leave; usually these five have fallen from the ranks of the previous year's new changers, who tend to face the greatest risk (and this among a group of people who all face high levels of risk). Thus the net change in changer population in Arvaikheer is a growth of five per year.<sup>37</sup>

### **Portrait of a Middle Change: Örshökh**

Örshökh is a self-described "middle change", one of 35 in Arvaikheer out of 70 total changers. She is 38 years old and a former accountant-turned-changer of seven years. She says she changed jobs to improve her life (she could earn more changing). She gets her products mostly from herder clients, as well as soum changer clients (and some walk-up business). On the sales end, like most changers she has a relationship with a Chinese changer at Emeelt, but this is by no means binding. She says that if her buyers set high prices, she will go elsewhere – that these relationships are always changing. Two to three times per month (on average, very seasonally dependent) she sends a load of products,

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<sup>36</sup> Sanjaa, *Personal Interview, Arvaikheer*.

<sup>37</sup> Örshökh, *Personal Interview, Arvaikheer*.

either bringing them herself or sending with another changer (combined loads). During the busy winter season she buys 100 skins per day, and sends a load of 500 skins to Emeelt every week. In Cashmere season (April), she sends two 500kg loads each week, ideally; but the total amount depends on price, "[the business] is very risky." If conditions are not favorable she may end up sending only one load all month. When asked about the nature of her relationship with the changers at Emeelt, she expressed the importance of having good relations with Emeelt, though exactly what kind of relations they are is unclear. (In her words, through translation, "Kind of client relationships.")<sup>38</sup>

### III. CONCLUSION

As Mongolia looks to the future and prepares to let the lingering echoes of the socialist era fade from view, *changers* will be in a unique situation. While not a part of the socialist order, neither are they truly part of the future. They are products of Mongolia's time in politico-economic purgatory, and as such, their future is uncertain. The author has hope that developments in the manufacturing sector will provide the capital and incentive to extend the supply chain further, perhaps incorporating the changers as employees as Tümen-Ölzii, directory of the largest leather factory in Mongolia, hopes. Even for the changers themselves, their future is uncertain. As one changer described when asked if he wanted his son to become a changer:

No. [Asks son, who shakes his head, then runs off before we can ask why. Later, the daughter also says 'no'] By the time his son grows up, things will be more developed,

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<sup>38</sup> Ibid.

advanced. Nowadays it's kind of 'raw', they just go and buy and trade. Maybe even process the skins in Harkhorin; they do it in UB, so why not?<sup>39</sup>

While Azjargal sees these changes as negative developments, which will push *changers* out of the business, the two institutions are not mutually exclusive. The involvement of formal companies in local trade could be a positive development, greatly reducing the amount of risk faced by the changers, which continues to be the hardest part of the job, even for established changers.<sup>40</sup> Additionally, it would provide a legal framework, and the stability and reliability that regulated employment can bring. The question, however, remains: Will they still be *changers*?

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<sup>39</sup> Azjargal, *Personal Interview, Harkhorin*.

<sup>40</sup> Azjargal, *Personal Interview, Harkhorin*; Oko, *Personal Interview, Harkhorin*; Sanjaa, *Personal Interview, Arvaikheer*.

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