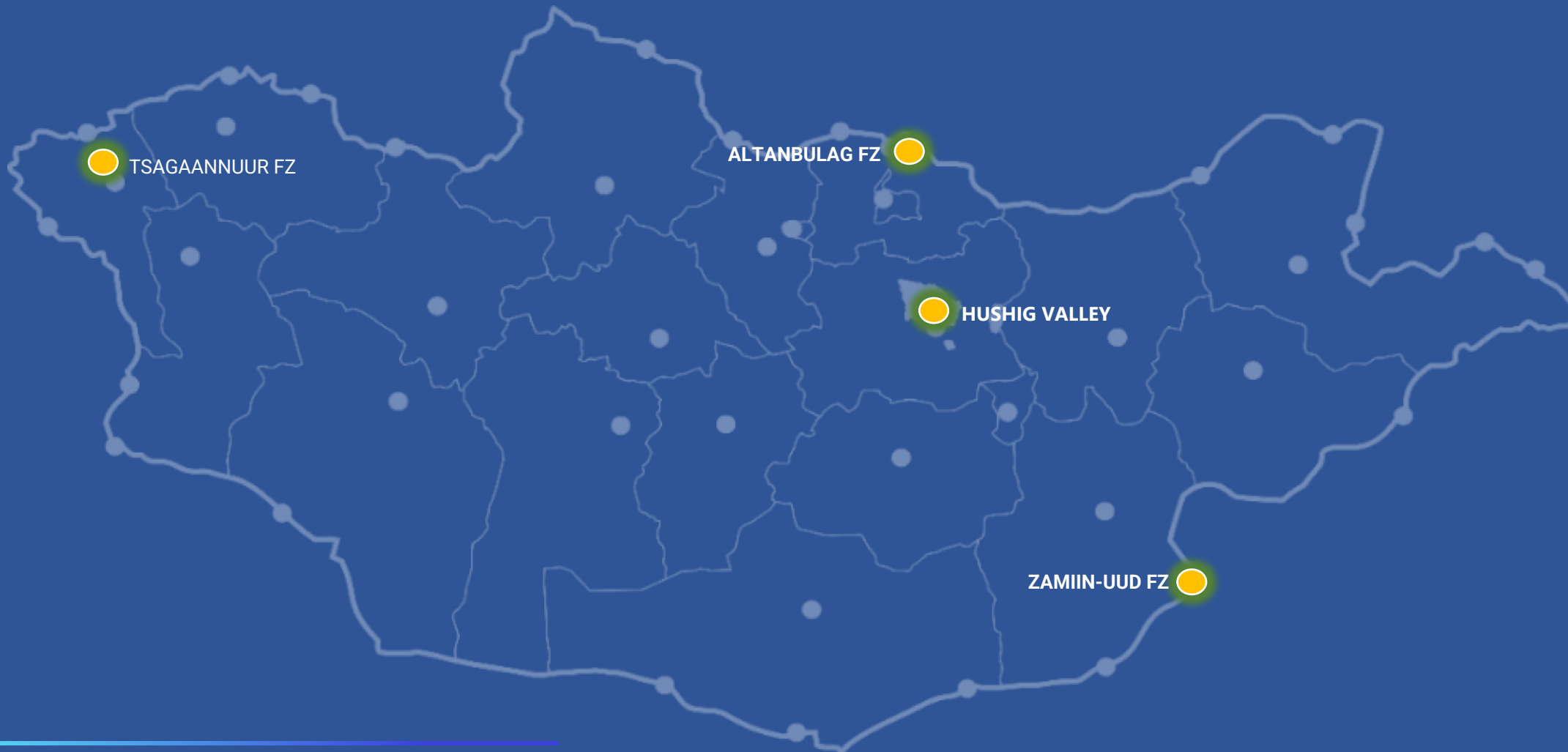




MINISTRY OF ECONOMY
AND DEVELOPMENT

CURRENT CONDITIONS AND FUTURE DEVELOPMENT TRENDS OF FREE ZONES IN MONGOLIA



1

CURRENT CONDITIONS OF FREE ZONES

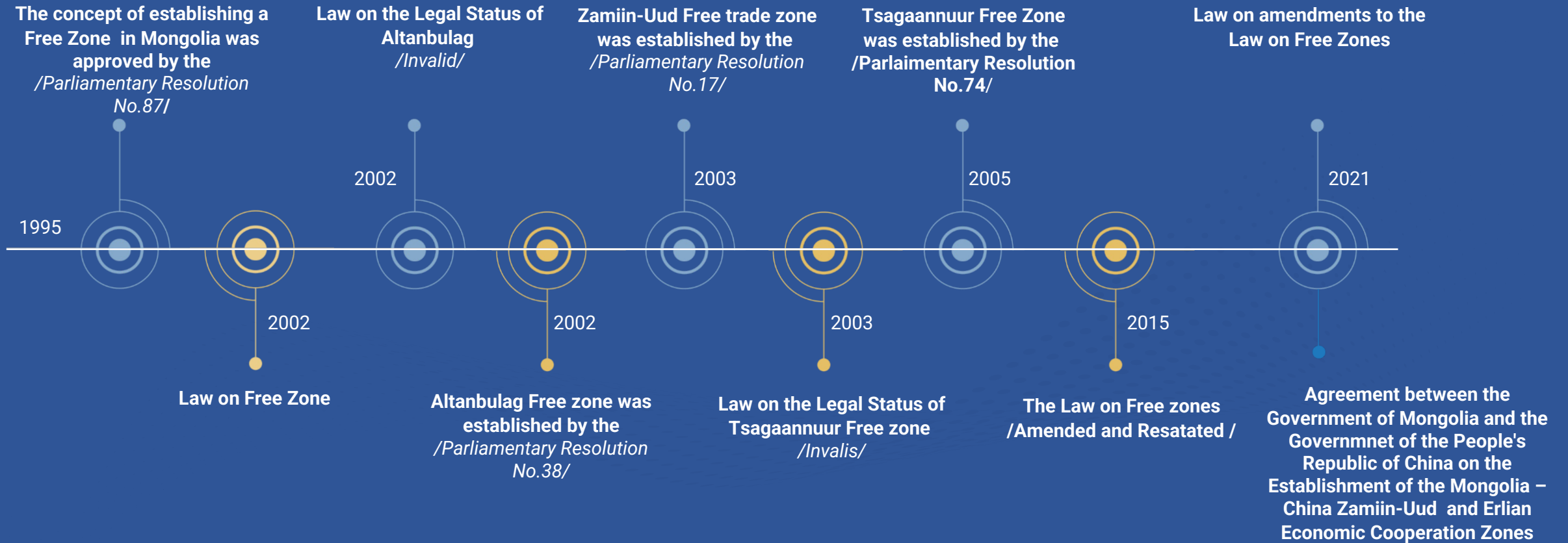
2

OPPORTUNITIES

3

SOLUTIONS

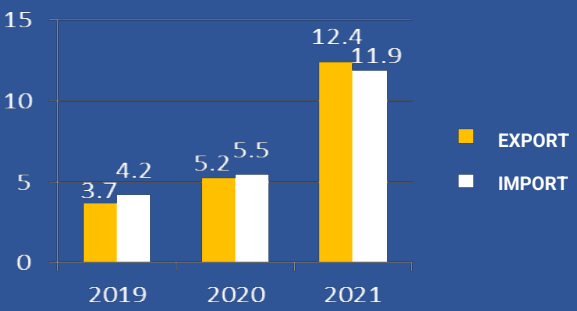
LEGAL ENVIRONMENT OF FREE ZONES IN MONGOLIA



ALTANBULAG FREE ZONE

STATISTICS

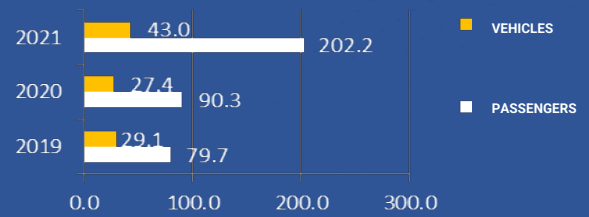
TOTAL AMOUNT TURNOVER /MILLION USD/



COMPARISON BETWEEN 2014 AND 2021

- Passengers 12.4 fold
- Transport vehicles 8.5 fold
- Turnover 9 fold

Passengers, vehicles amounts /thousand/

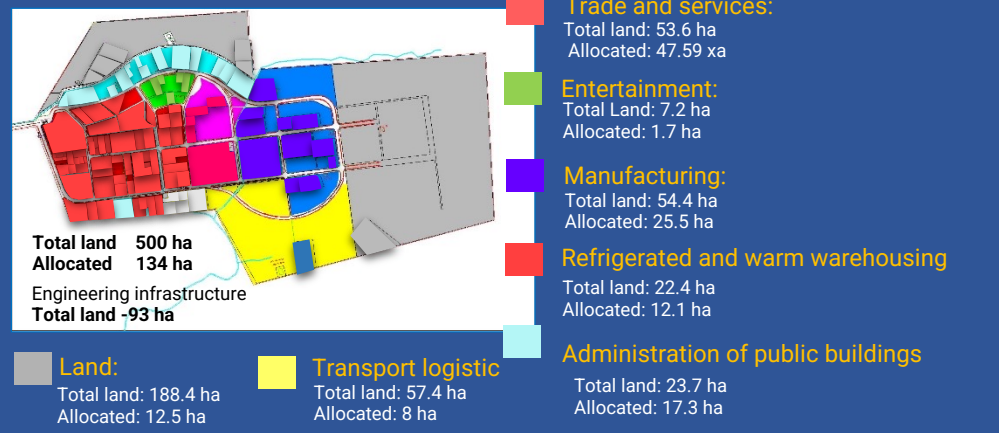


Business entities investment: 9.5 billion MNT

- 137 Registered companies
- 35 Constructions of business entities
- 29 Permanent operations business entities /200 commodity products from 20 abroad countries /

PRIORITIES SECTOR

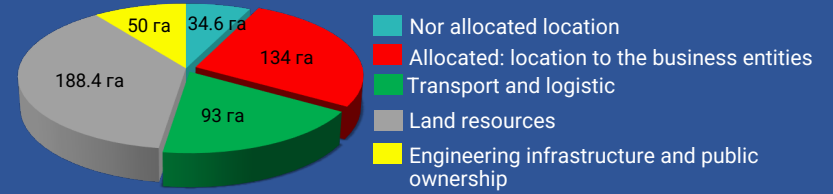
- Transport and logistics
- Trade, manufacturing



Current Future



Land use status 500 ha /hectares



Land allocation status

| Free zone | 2008-2009 | | 2014-2017 | | 2018-2019 | | 2022 | |
|------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|---------|-------------------|
| | Citizen | Business entities | Citizen | Business entities | Citizen | Business entities | Citizen | Business entities |
| Altanbulag | - | 3 | 0 | 45 | - | 76 | 0 | 8 |

Pending Activities

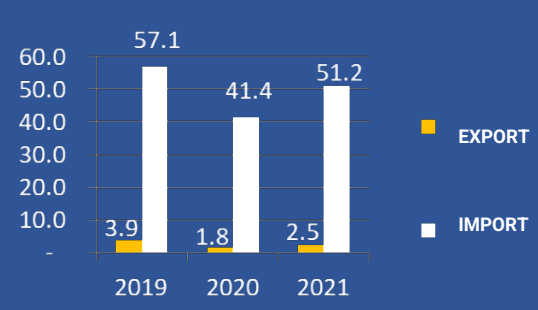
- 15.6 billion Power supply extension work
- 2.1 billion Construction work connecting ductwork
- 43.0 billion 13.8 km of paved roads in the zone area
- 4.4 billion 0.81 km of road work in the collar section
- 60 billion Heating plant
- 3.04 billion Construction work of 'Trade and services center'

Readiness assessment

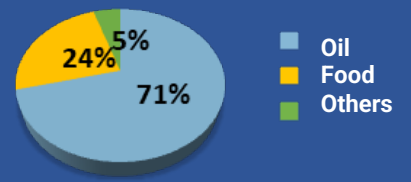
| | | | | |
|------------------------------------------|----------------------------------|----------------------------|--------------------------------------------------------|---------------------|
| FEASIBILITY STUDY, PRE-FEASIBILITY STUDY | Environmental Impact Assessments | MASTER PLAN | GENERAL DEVELOPMENT PLAN | PARTIAL MASTER PLAN |
| ✗ | ✓ Done in 2003 | Done in 2003, not approved | Done in 2003, not approved Tender announced in 2022 | ✗ |

STATISTICS

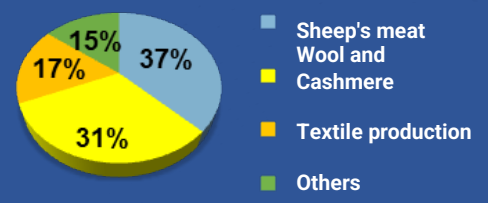
TOTAL AMOUNT TURNOVER /MILLION USD/



The Tsagaannuur border crossing imported a total of 145.9 billion MNT worth of goods in 2021.



The Tsagaannuur border crossing exported a total of 6.5 billion MNT worth of goods in 2021.



Business entities investment: 6.5 billion MNT

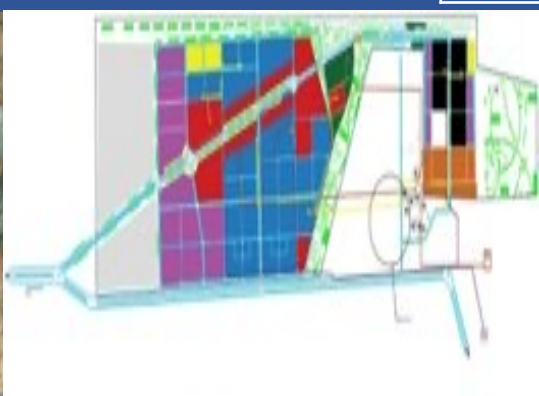
9 Registered companies
 1 Constructions of business entities

PRIORITIES SECTOR
 ➤ Transport and logistics
 ➤ Trade, manufacturing



Current

Future



- Trade and services:**
 Total land : 109.2 ha
 Allocated: 0.1 ha
- Tourism:**
 Total land : 364.7 ha
 Allocated : 0 ha
- Manufacturing:**
 Total land : 198.3 ha
 Allocated : 101 ha
- Warehousing and logistic:**
 Total land : 57.6 ha
 Allocated : 0.25 ha

Land use status 500 ha/hectares



Land allocation status

| Free Zone | 2015-2019 | | 2020 | | 2021 | | 2022 | |
|-------------|-----------|-------------------|---------|-------------------|---------|-------------------|---------|-------------------|
| | Citizen | Business entities | Citizen | Business entities | Citizen | Business entities | Citizen | Business entities |
| Tsagaannuur | - | 2 | 0 | 0 | 0 | 2 | 0 | 0 |

Pending Activities

- Opening permanent operation
- Develop and approve General Development plan
- Infrastructure development

Based on the approval of the partial master plan, complete the following infrastructure works:

- Power lines
- Heating and water supply
- Sewage pipelines

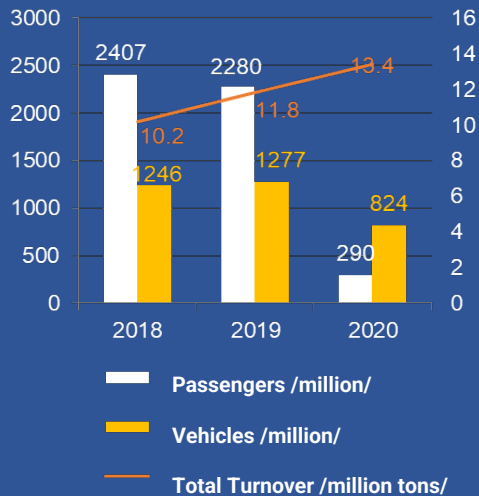
Readiness assessment



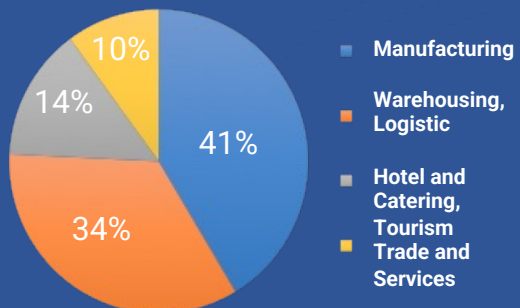
Done in 2008 (for Environmental Impact Assessments and Master Plan)
 Done in 2011, not approved
 Tender announced in 2022 (for General Development Plan)

ZAMIIN-UUD FREE ZONE

STATISTICS



Business entities investment by sector

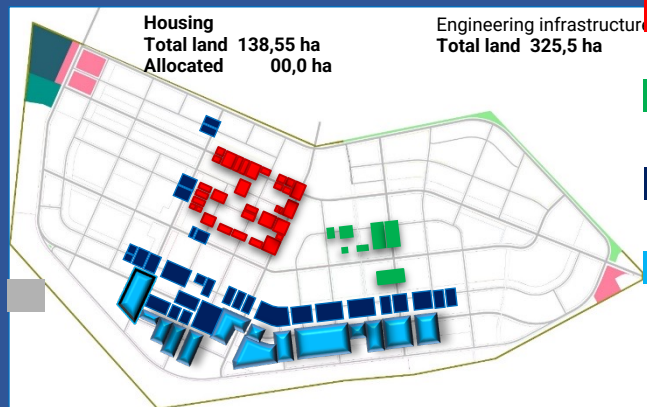


INVESTMENT OF BUSINESS ENTITIES : 689 billion MNT

81 Registered companies

PRIORITIES SECTOR

- Transport and logistics
- Trade, manufacturing
- Industry
- Tourism



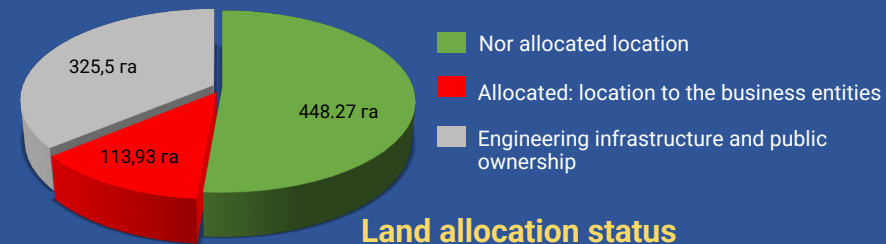
Trade and services:
Total land: 107.68 ha
Allocated: 17.08 ha

Tourism:
Total land: 149.66 ha
Allocated: 11.1 Ha

Manufacturing:
Total land: 75.69 ha
Allocated: 44.97 ha

Warehousing and logistic:
Total land 102.92 ha
Allocated: 40.78 ha

Land use status 900 ha /hectares



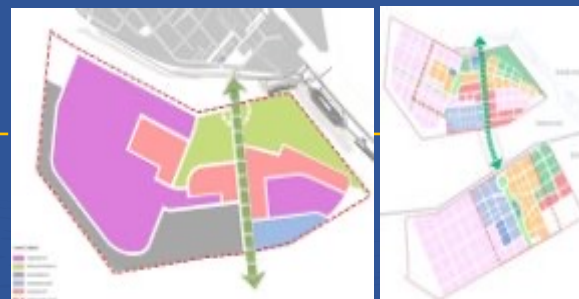
Land allocation status

| Free zone | 2016-2019 | | 2020 | | 2021 | | 2022 | |
|------------|-----------|-------------------|---------|-------------------|---------|-------------------|---------|-------------------|
| | citizen | Business entities | citizen | Business entities | citizen | Business entities | citizen | Business entities |
| Zamiin-Uud | - | 58 | 1 | 9 | 0 | 0 | 0 | 15 |

Current



Future



Pending Activities

Construction of second shift : heating, electricity, water supply, sewerage

Construction of checkpoints at the border and underground crossings of the free zone

Construction of the second phase of the free zone road, lighting and communication facilities

Complete camera surveillance /CCTV/ of 900 hectares of free zone

Readiness assessment



Done in 2016

Done in 2019

Done, approved by 2011

Underway 2022, not approved yet

HUSHIG VALLEY FREE ECONOMIC ZONE

ESTABLISHED BY PARLIAMENT RESOLUTION #10 IN 2022.

90 ha /9%/ 752ha /75%/ 157 ha /16%/

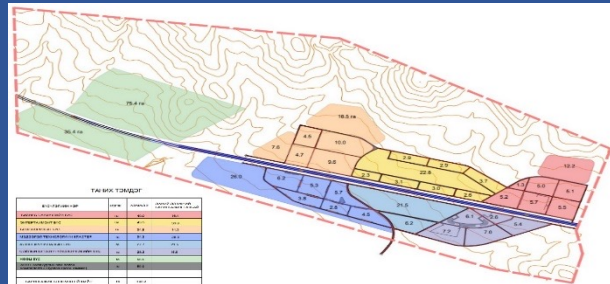
PRIORITIES SECTOR

1. International financial hub

2. Tourism center

3. ICT Cluster

4. Business service center



1000 hectares INFRASTRUCTURE-0

1000HA- UNDERWAY

- ✓ The partial general plan of the free zone is being finalized by the URBAN PLANNING AND RESEARCH INSTITUTE on June 28, 2022.

Phase I: 2022-2025

- ✓ Complete infrastructures and constructions works

Phase II: 2026-2030

- ✓ The II phase: Implementation of infrastructure and construction work
- ✓ Operation of entertainment and tourism services
- ✓ Operation of ICT

Phase III: 2031- 2034

- ✓ Tourism services
- ✓ Medical tourism
- ✓ Construction of Trade and services center

Readiness assessment

Preparations are underway

FEASIBILITY STUDY, PRE-FEASIBILITY STUDY

Environmental Impact Assessments

MASTER PLAN

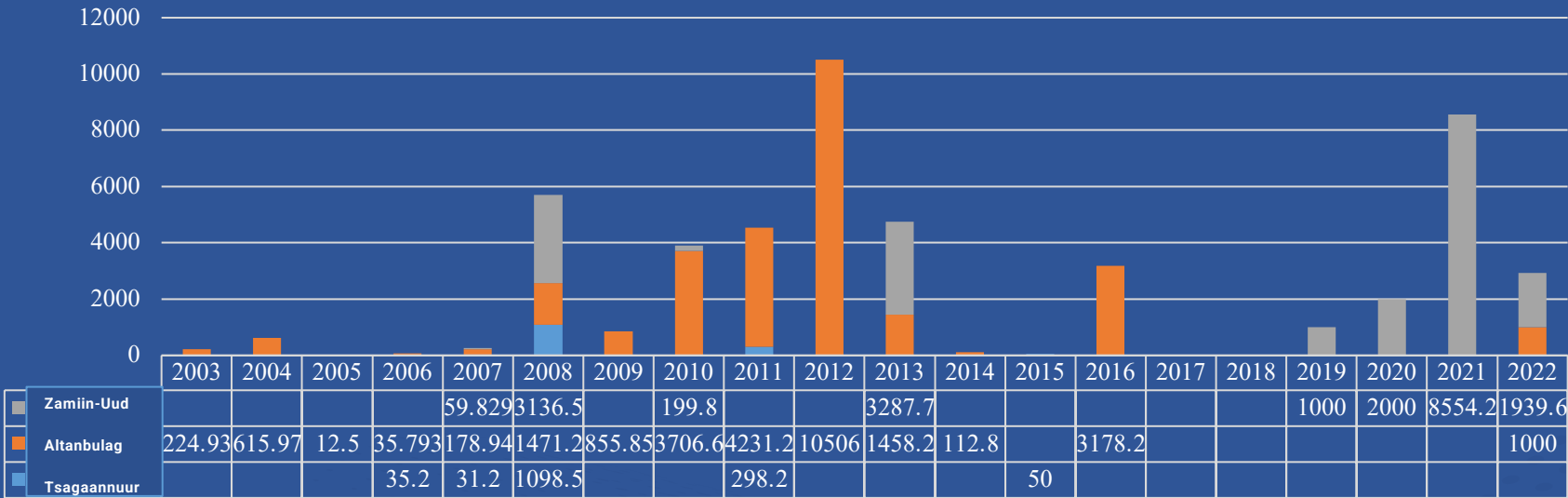
GENERAL DEVELOPMENT PLAN

PARTIAL MASTER PLAN

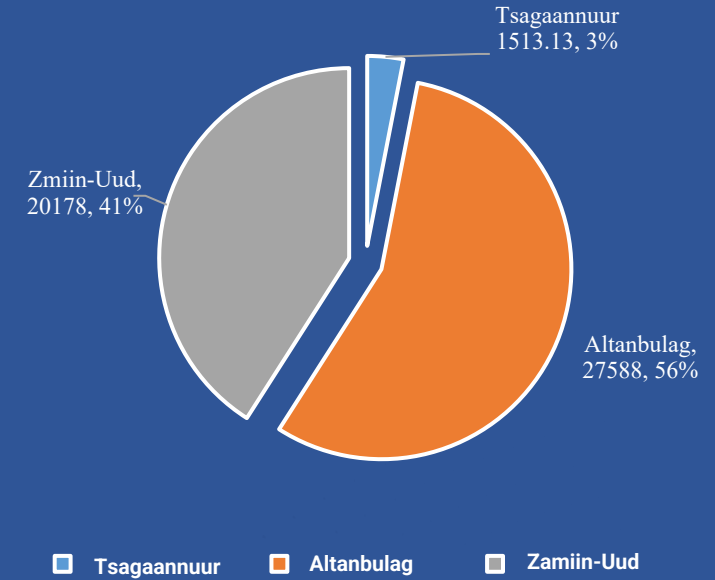


NATIONAL BUDGET INVESTMENT

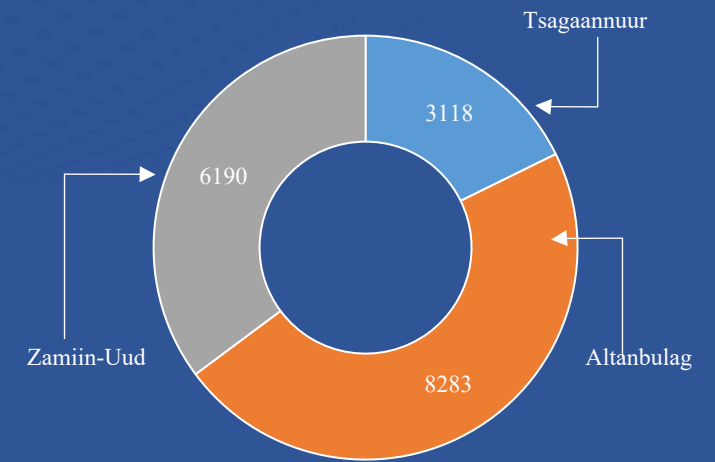
State budget investment /million MNT/



CURRENT CONDITIONS ON FREE ZONES



Operational cost /million MNT/



2003-2021 OH

PREAQUISITE ON FREE ZONES

| Conditions for the development of a free zone | Altanbulag | Zamiin-Uud | Tsagaannuur | Hushig Valley |
|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------------------|
| Based on open, transparent and fair competition to support business; | Implementation not sufficient | Implementation not sufficient | Implementation not sufficient | Preparations are underway. |
| Infrastructure development in the area where the free zone is located /roads, railways and airports/; | Road: AN-3 highway Railway: none | Road: AN-3 Railway: trans Asian railway | Road: AN-3 highway Railway: none | Road: Railway: Airport: yes |
| Water and energy supply resources | Water: not enough, there are 7 wells but not used instead of portable water Energy: enough, need to be expanded | Water: Used in 3 wells, needs to be increased Energy: taking from Baganuur district, need to be expanded | Water: enough Energy: enough, possible to extend | Water: Preparations are underway. Energy: Preparations are underway. |
| Urban development standards and spatial conditions | Implementation not sufficient | Implementation not sufficient | Implementation not sufficient | Implementation not sufficient . |
| Develop legal framework to establish Free zone, create favorable investment environment for investors and business entities | Implementation not sufficient | Implementation not sufficient | Implementation not sufficient | Preparations are underway. |
| Be environmentally sustainable | Inadequate | Inadequate | Inadequate | Preparations are underway. |
| Regional sustainable development, precise plans to support the local economy, reduce unemployment, and training for professional staff | Inadequate | Inadequate | Inadequate | Preparations are underway. |

CONSTRAINT FOR DEVELOPMENT OF FREE ZONE



Institutional Instability



Unclear National integrated policy



**Construction of infrastructure,
Financing issues**



Based on plans not



**Insufficient labor resources
and market size**



**Lacking Road, Transportation and
Logistics network**



**Transparency of
Investment environment**

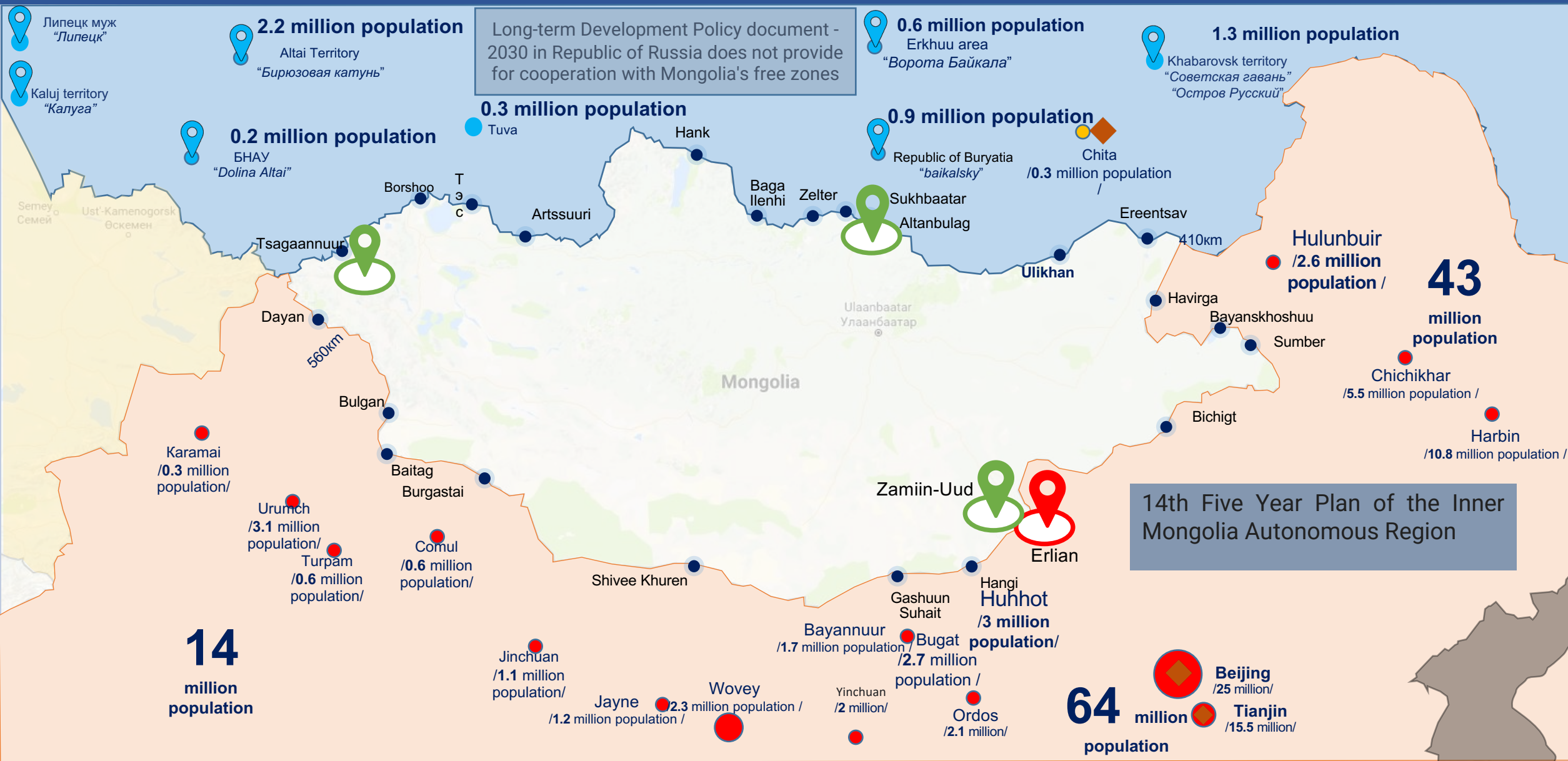


**Cross-sectoral
weak coherence for local**

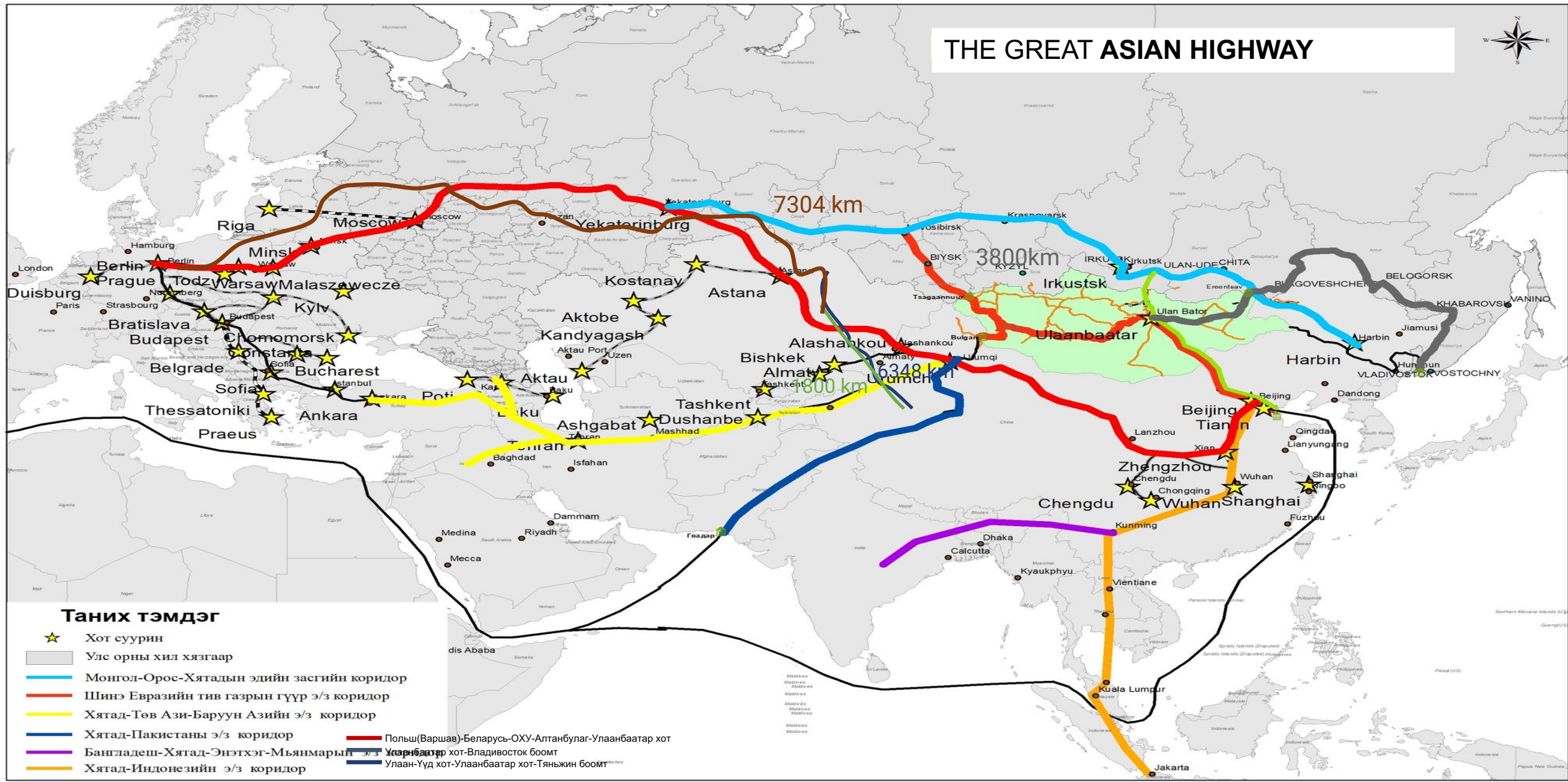


**International Agreements and
Negotiations with neighboring countries**

MARKET AND ECONOMY



THE GREAT ASIAN HIGHWAY



Таних тэмдэг

- ★ Хот суурин
- Улс орны хил хязгаар
- Монгол-Орос-Хятадын эдийн засгийн коридор
- Шинэ Евразийн тив газрын гүүр э/з коридор
- Хятад-Төв Ази-Баруун Азийн э/з коридор
- Хятад-Пакистанын э/з коридор
- Бангладеш-Хятад-Энэтхэг-Мьянмарын э/з коридор
- Хятад-Индонезийн э/з коридор

— Польш(Варшав)-Беларусь-ОХУ-Алтанбулаг-Улаанбаатар хот
 — Улаанбаатар хот-Владивосток боомт
 — Улаан-Үүд хот-Улаанбаатар хот-Тяньжин боомт

Open market - Preferential Trade Regimes

European Union - Mongolia Generalized System of Preferences (GSP)+ Mongolia

Tariff reductions on 7200 tariff lines

Mongolia uses GSP+ preferences for around 23% of its total EU exports

Asia-Pacific Trade Agreement

Tariff discount of 5-100 percent on 10,667 types of products in trade with the member countries

Foreign Investment
Protection and
Promotion agreements
43 countries

Double Taxation
Agreements with **26 countries**

US- Mongolia Generalized System of Preferences (GSP)+ Mongolia

Provides duty-free treatment for almost 3,500 products from Mongolia

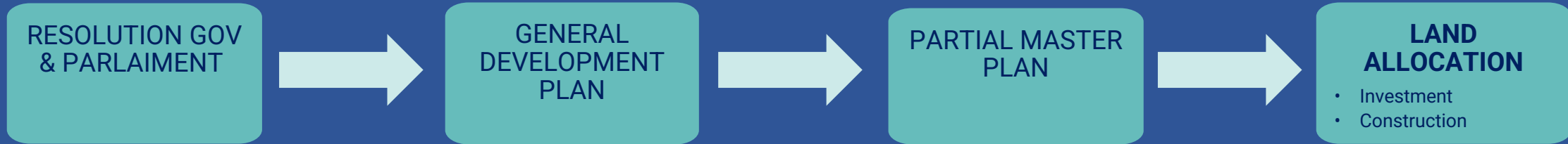
Mongolia-Japan Economic Partnership Agreement

Tariff reductions on 5700 tariff lines

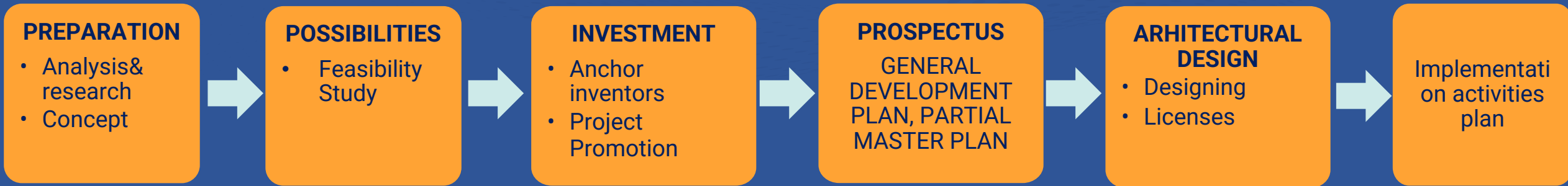
Member of World Trade
Organization /WTO/ in
1997



FREE ZONE PLANNING METHODOLOGY /IN MONGOLIA/



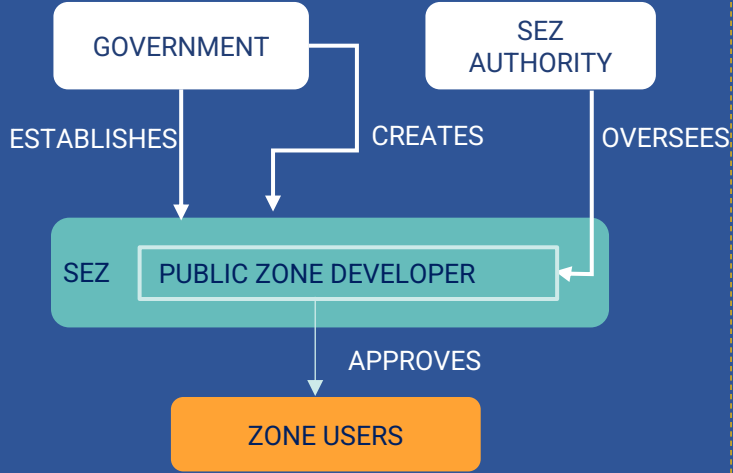
FREE ZONE PLANNING METHODOLOGY /INTERNATIONALLY/



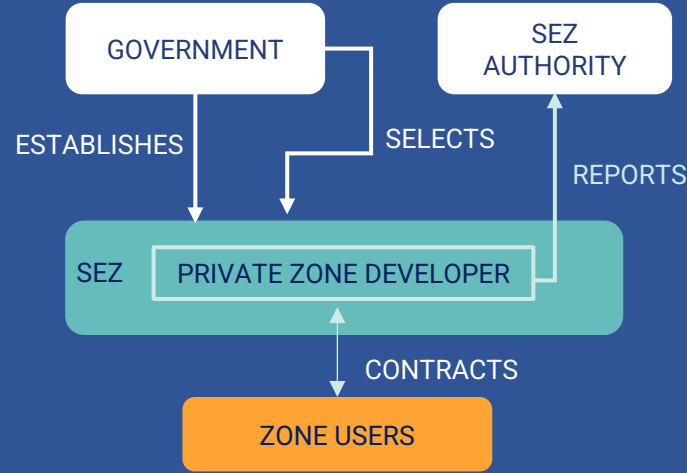
ADMINISTRATIVE AND MANAGING SYSTEM MODEL /PROPOSAL/

GLOBAL INSTITUTIONAL MODELS

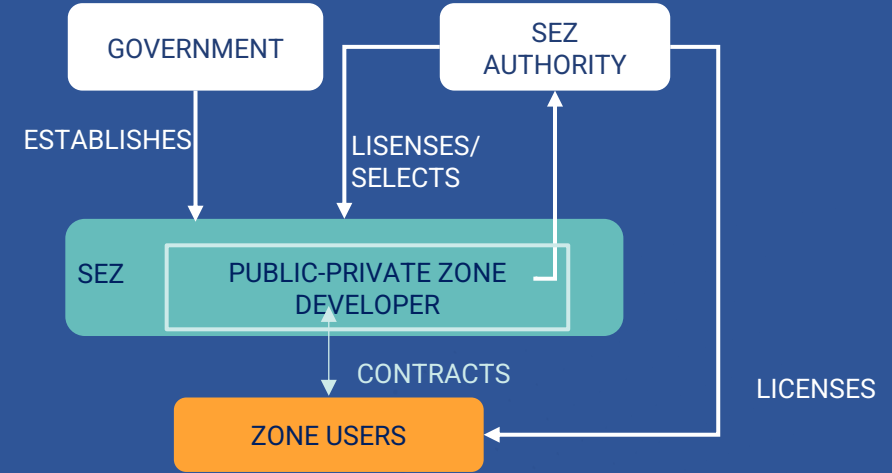
/PUBLIC MODEL/



/PRIVATE MODEL/

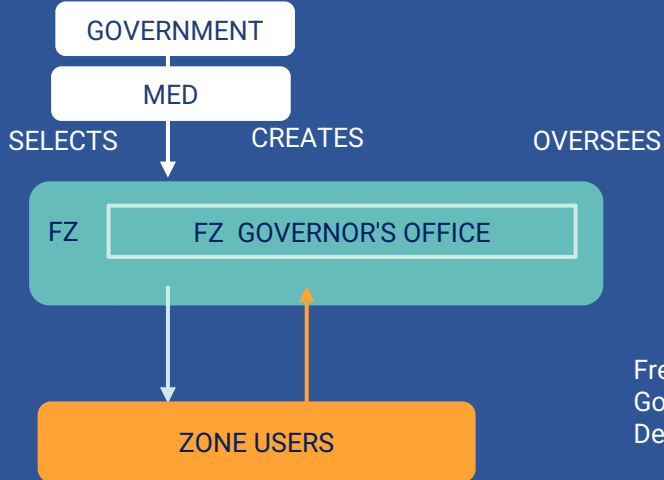


/HYBRID MODEL/

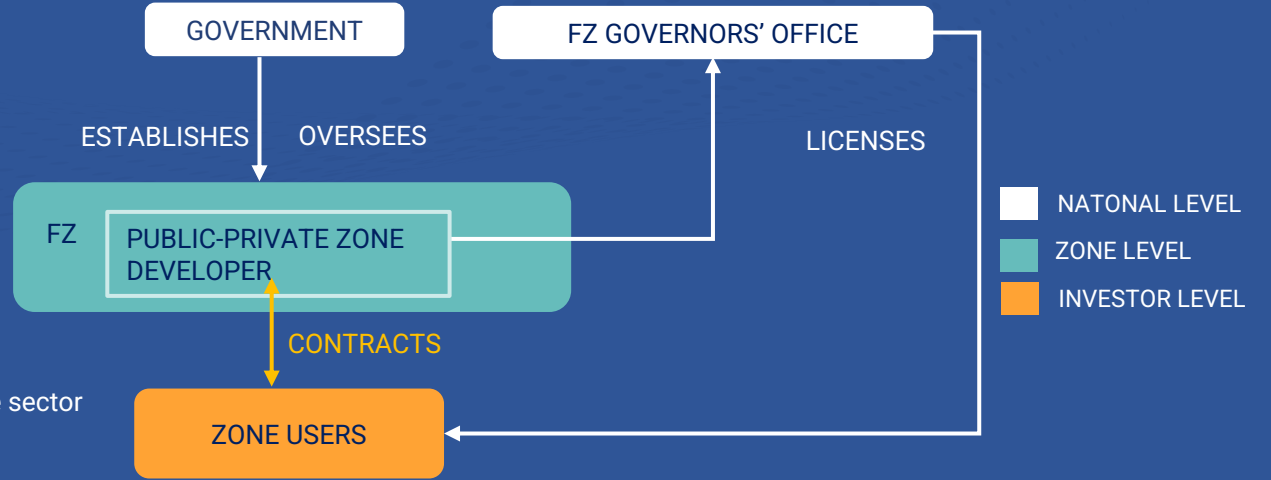


FREE ZONE'S INSTITUTIONAL MODEL IN MONGOLIA

CURRENT STATUS

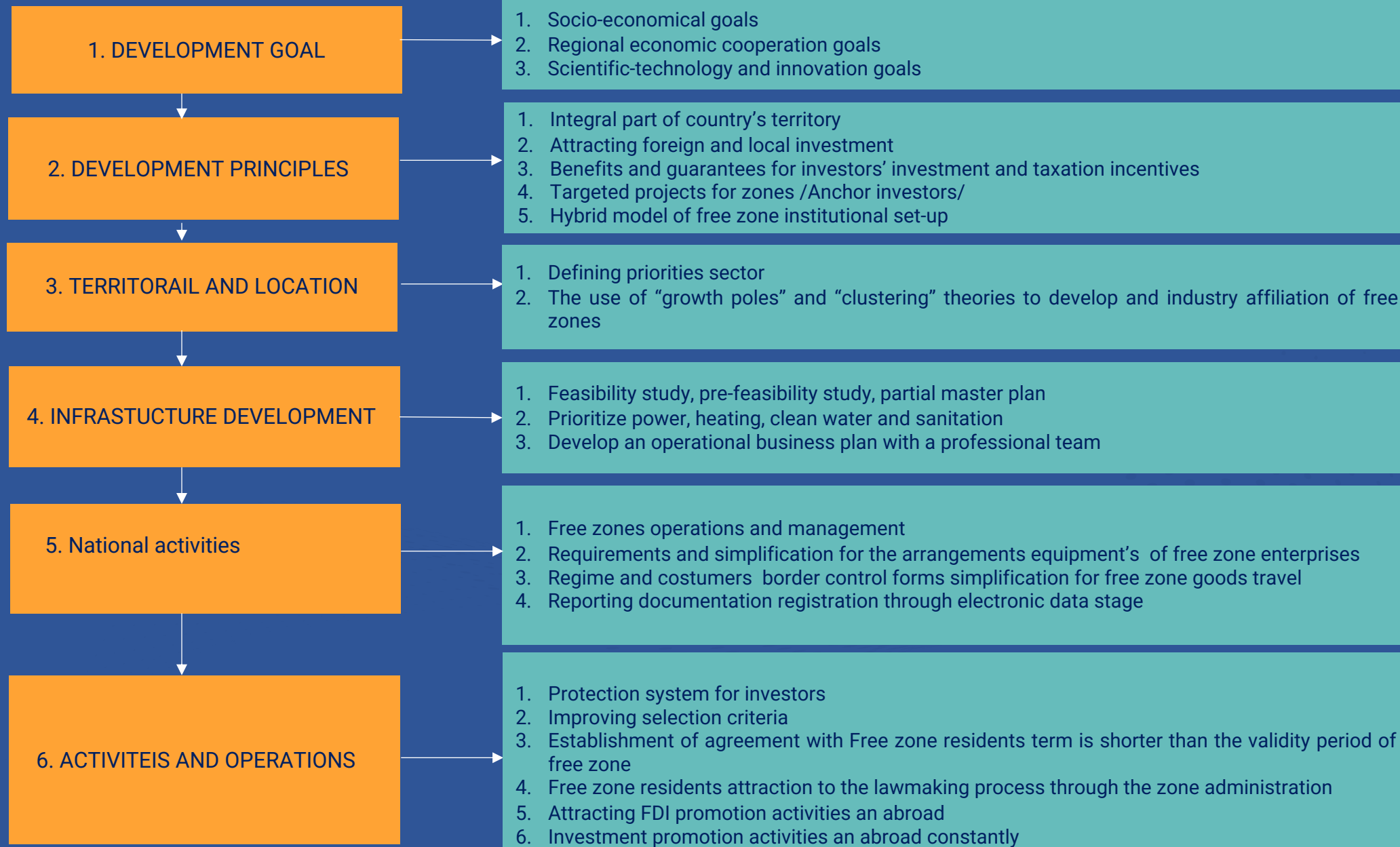


/HYBRID MODEL/



Free zones management system:
Government- Investment Fund-Private sector
Development Corporation

- NATIONAL LEVEL
- ZONE LEVEL
- INVESTOR LEVEL



METHODS OF ATTRACTING INVESTMENT



A forward-looking perspectives priority sector

ALTANBULAG FREE ZONE



TRANSPORT AND
LOGISTIC
/AN-3 Highway/



TRADE



MANUFACTURING



TOURISM

TSAGAANNUUR FREE ZONE



TRANSPORT
AND LOGISTIC
/AH-4/



TRADE



MANUFACTURING



TOURISM

ZAMIIN-UUD FREE ZONE



TRANSPORT
AND LOGISTIC
/Tianjin port/



TRADE



MANUFACTURING



TOURISM

HUSHIG VALLEY FREE ECONOMIC ZONE



TRANSPORT AND
LOGISTIC
/Airport/



MANUFACTURING



TOURISM



FINANCIAL
SERVICES AND
INVESTMENT



MINISTRY OF ECONOMY
AND DEVELOPMENT

THANK YOU FOR ATTENTION

2022.09.14