

Country presentation: Mongolia

CFCFA Business Networking Forum
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Business opportunities in Mongolia

Economy

By the end of 2010:

GDP reached to 8255.1 bln. tugrug

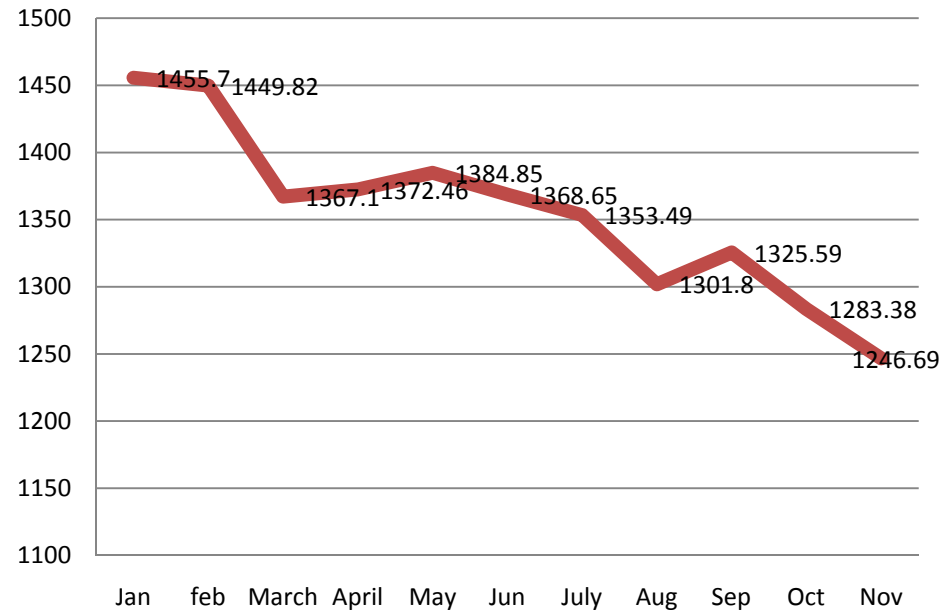
GDP growth in 2010 – 6.1%

Inflation rate – 10.1%

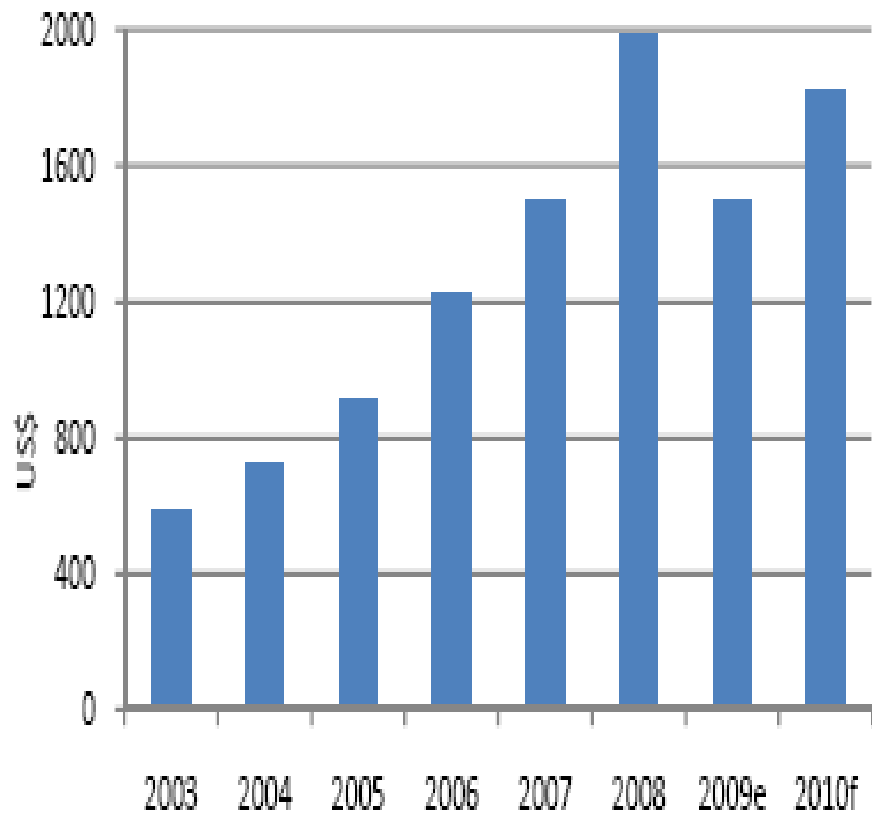
GDP growth



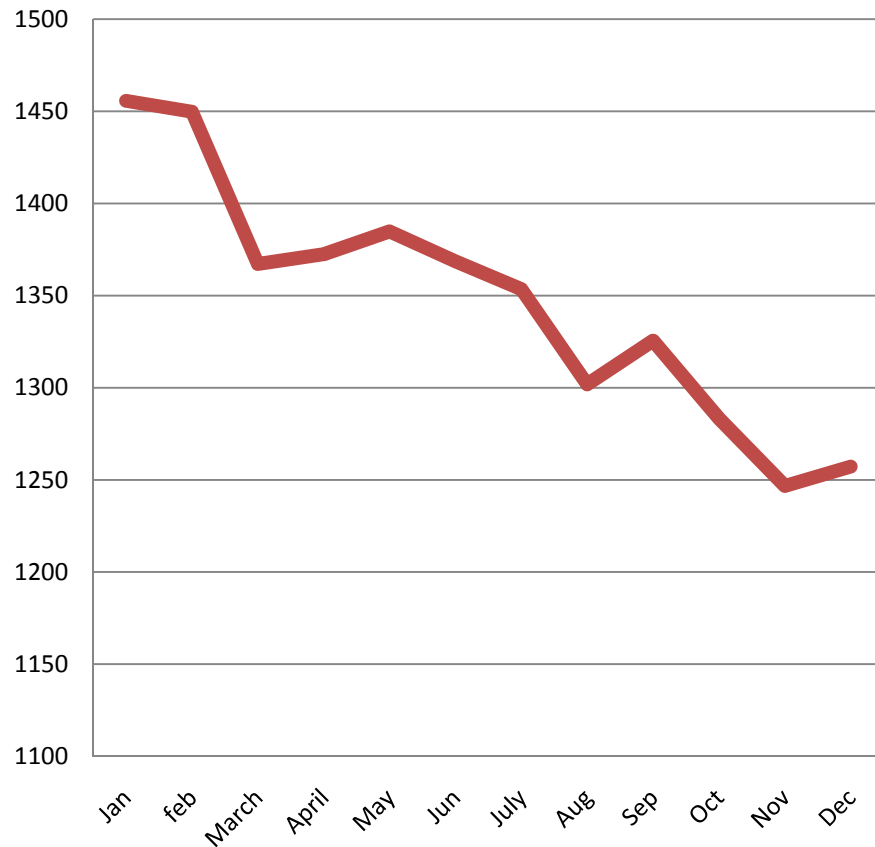
Inflation, %



GDP per capita



Exchange rate, MNT/US\$



Source: IMF, Eurasia Capital estimates

Economic indicators

Indicators	2006	2007	2008	2009	2010*
Annual change of GDP, %	8.6	10.2	8.9	-1.6	6.1
GNI per capita, USD	1009	1290	1652	1623	
Annual changes of consumer price index, percent	6.2	17.8	22.1	4.2	10.1
Export, mln.USD	1542.0	1947.5	2534.5	1885.4	2899.2
Import, mln.USD	1435.0	2061.8	3244.5	2137.7	3277.9

GDP, by sectors 2010

- Agriculture – 15.9%
- Mining – 18.2%
- Manufacturing – 6.2%
- Electricity, gas and water supply- 2.4%
- Construction – 1.4%
- Wholesale and retail trade- 8.2%
- Transport, storage and communication- 12.0%
- Others- 35.7%

Doing Business in Mongolia (2010)

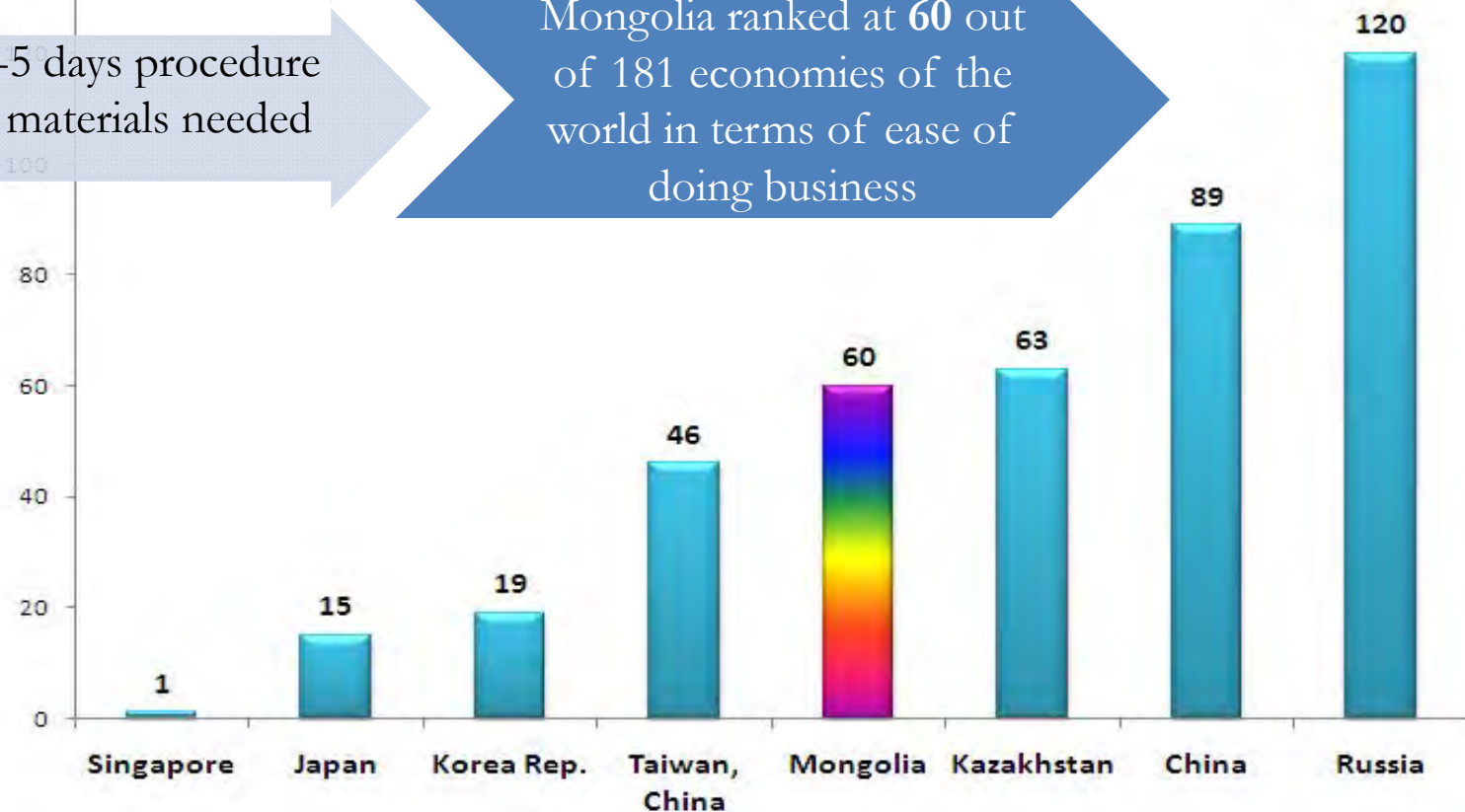
Before

- 60 days procedure
- 14 materials needed

Now

- 3-5 days procedure
- 7 materials needed

Mongolia ranked at 60 out of 181 economies of the world in terms of ease of doing business



Doing Business

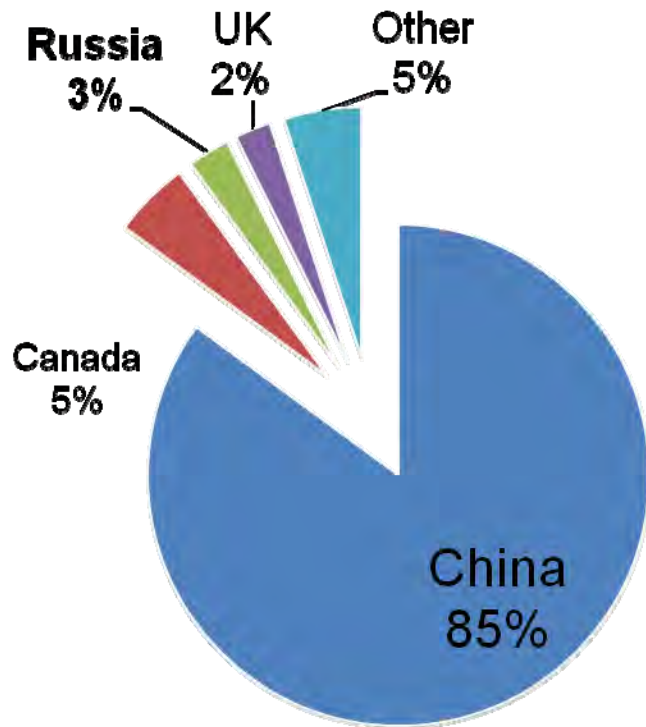
Ease of...	Doing Business 2010 rank	Doing Business 2009 rank	Change in rank
Doing Business	60	56	-4
Starting a Business	78	61	-17
Dealing with Construction Permits	103	104	+1
Employing Workers	44	49	+5
Registering Property	25	20	-5
Getting Credit	71	68	-3
Protecting Investors	27	25	-2
Paying Taxes	69	87	+18
Trading Across Borders	155	156	+1
Enforcing Contracts	36	35	-1
Closing a Business	110	110	0

Foreign trade of Mongolia in 2010

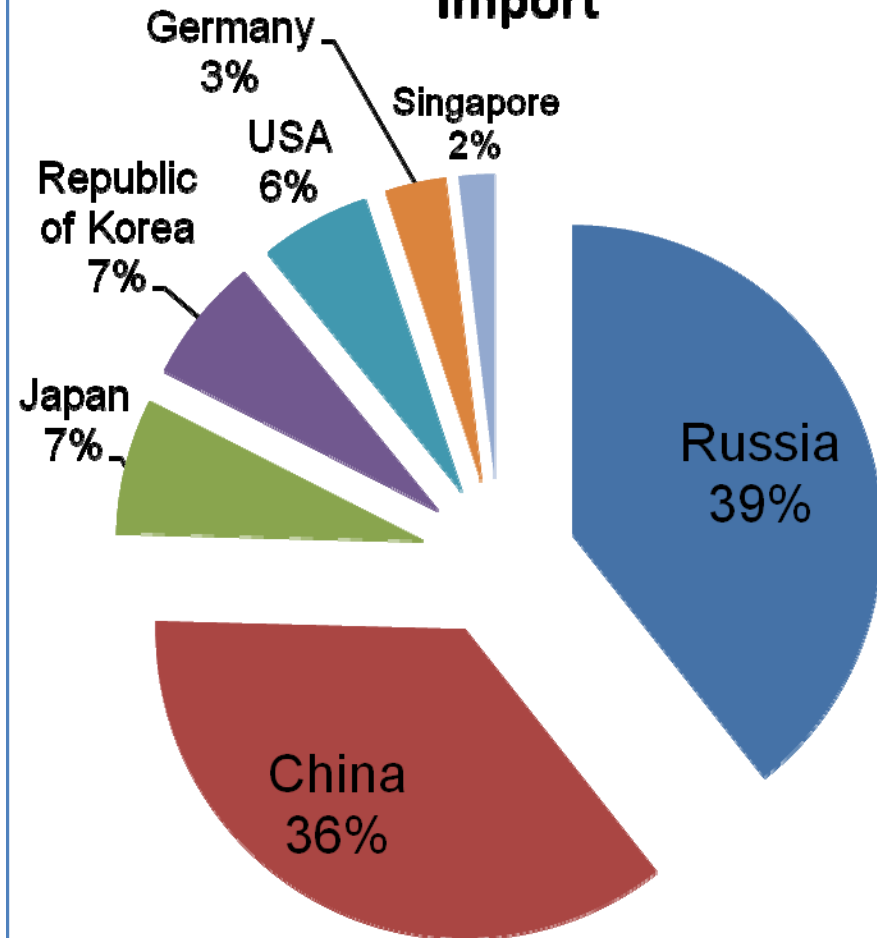
- Mongolia traded with 132 countries from all over the world, and total external trade turnover reached 6177.1 mln.US dollars, of which exports made up 2899.2 mln.US dollars and import made up 3277.9 mln.US dollars.
- External trade balance in 2010 showed a deficit of 378.7 mln.US dollars increasing 126.4 mln.US dollars or 50.1 percent compared to the previous year.

Main trade partners, by 2010

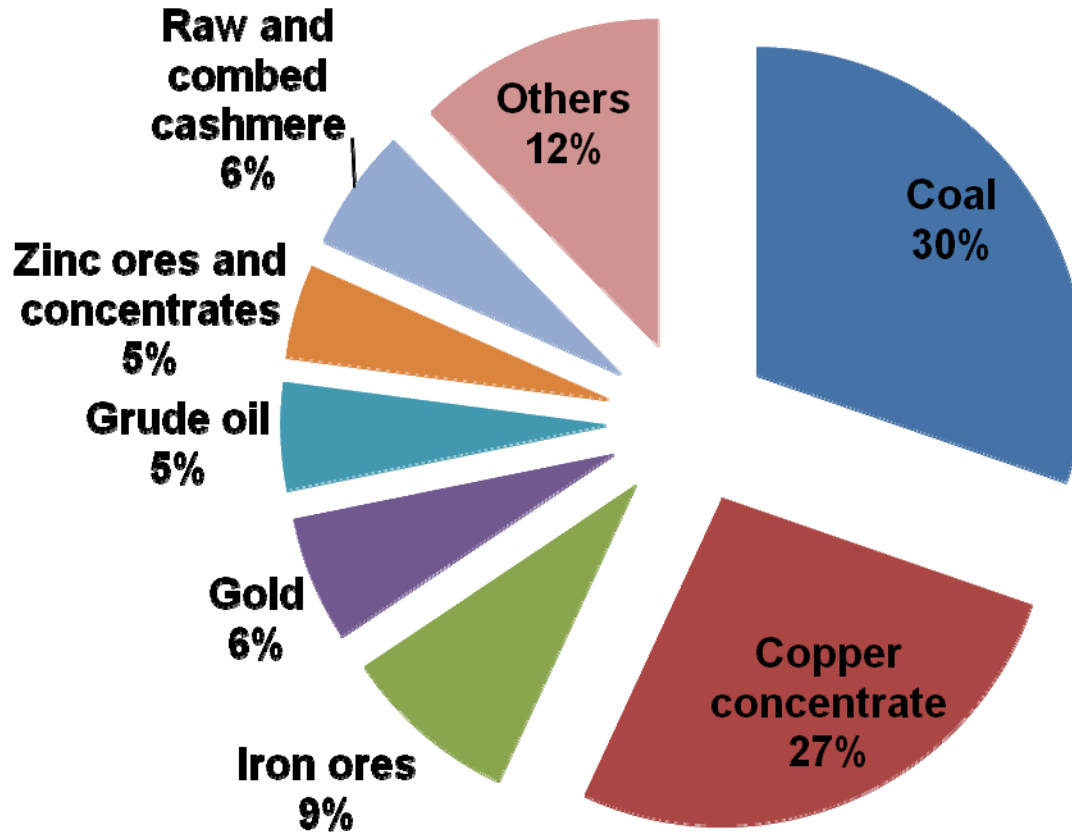
Export



Import

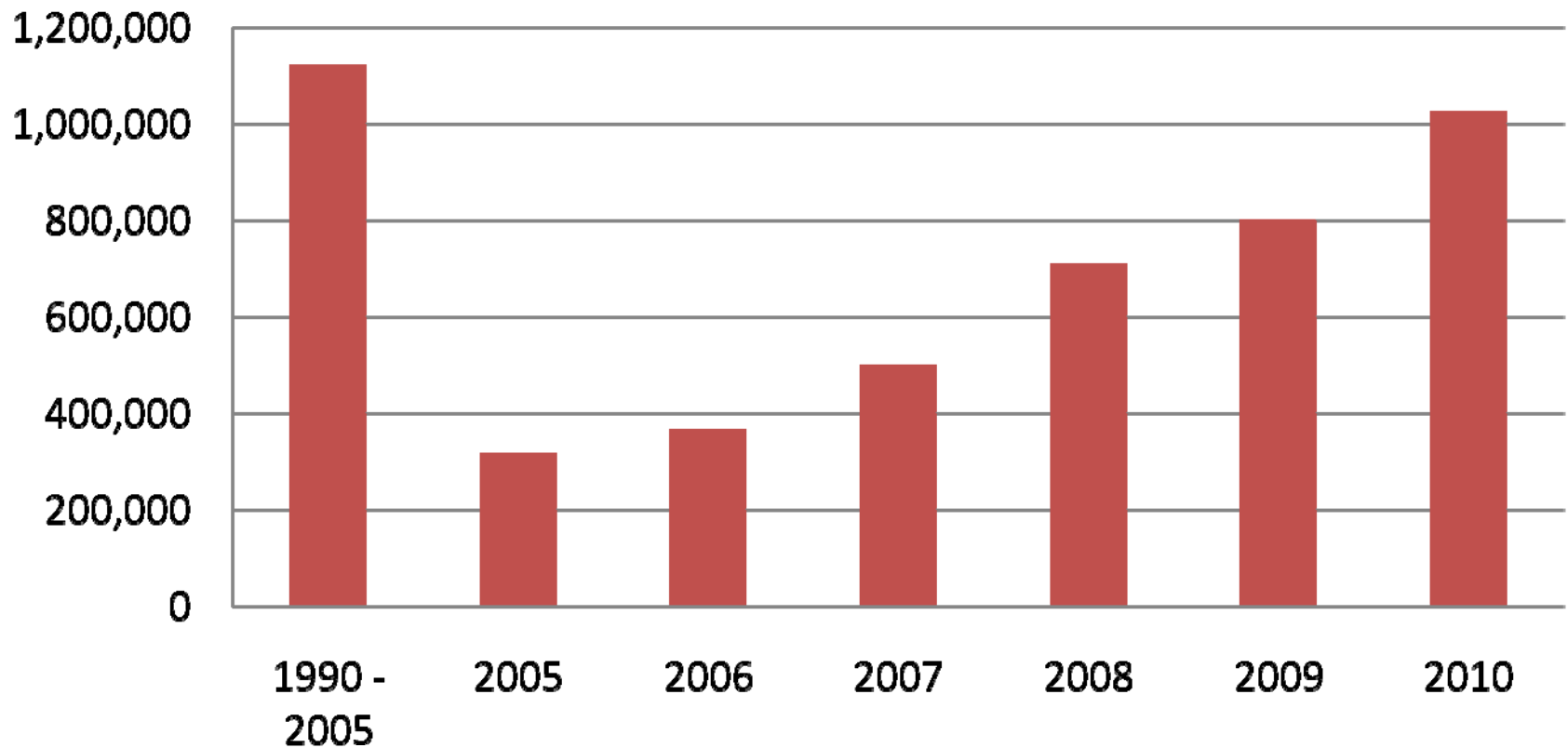


Exports, by products 2010



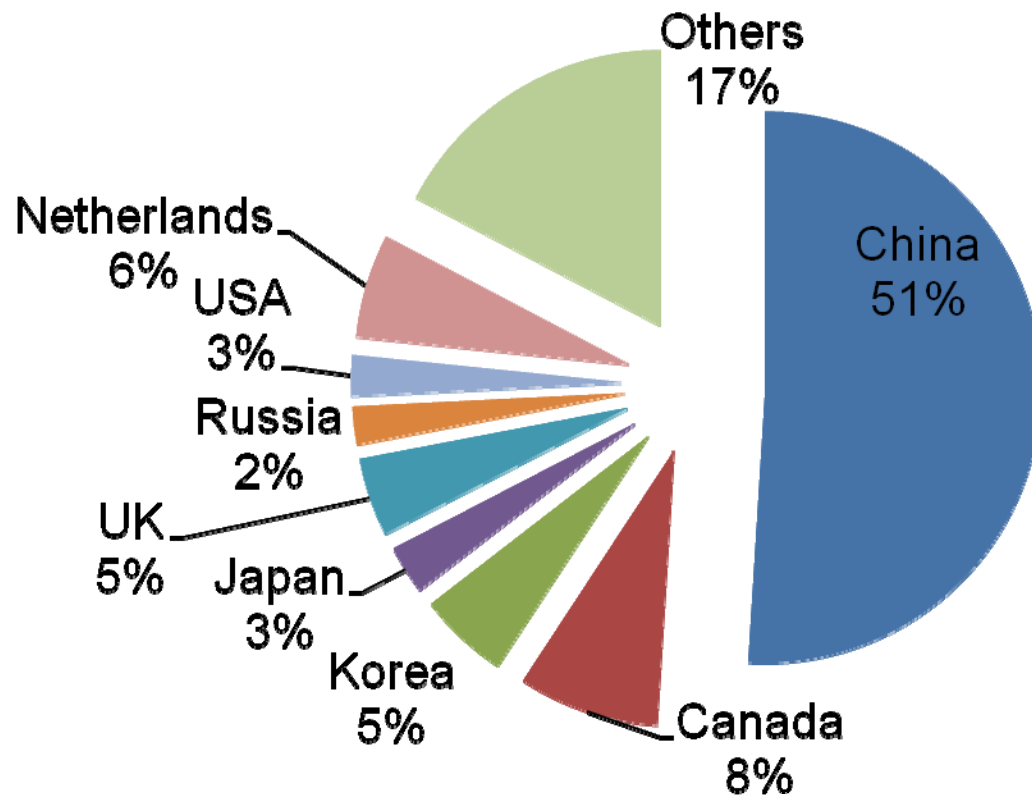
Foreign investment current situation

Total FDI inflow, in 1000 USD, 1990-2010



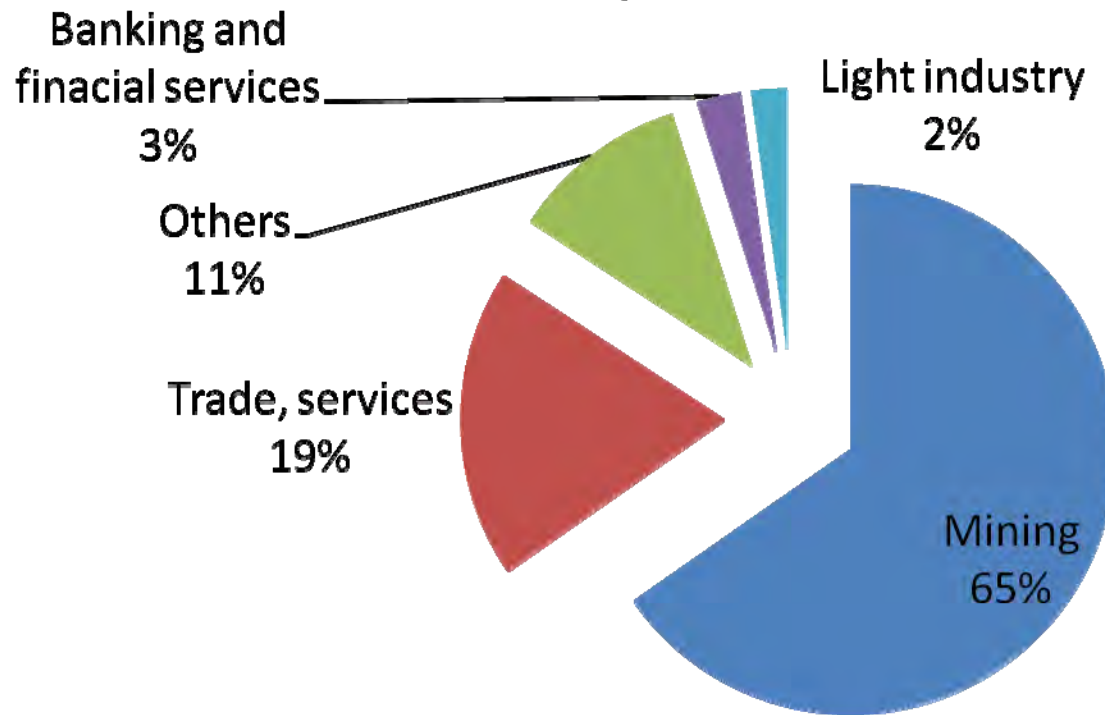
Foreign investment current situation

FDI by Origin, 1990-2010



Foreign investment current situation

FDI, by sectors, 1990-2010



Investment Climate

Non-discriminatory treatment for national and international investors

Mongolia has the lowest tax rates in the region

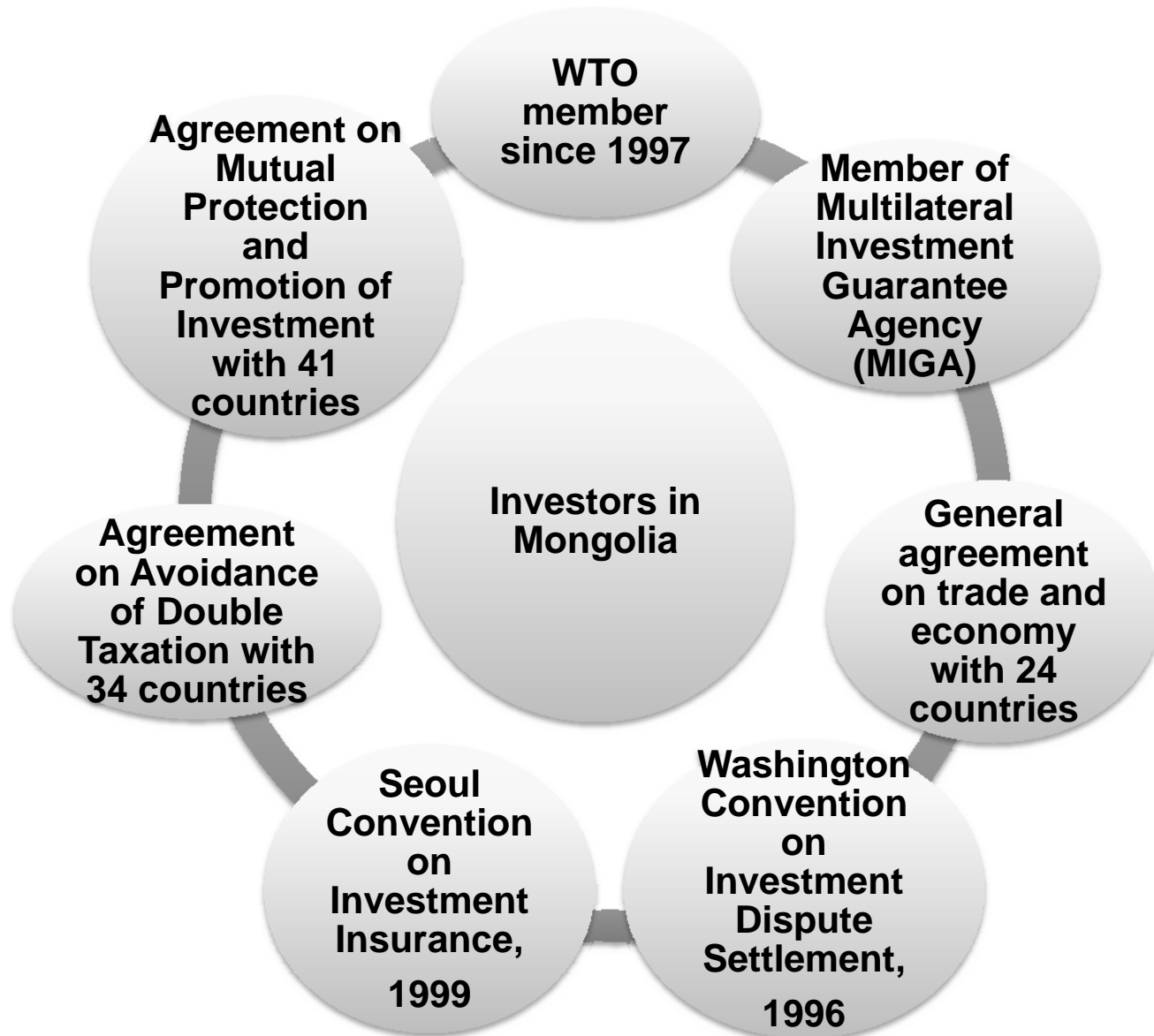
***Corporate tax 10%,
25%
VAT 10%***

Investment in the priority sectors shall be granted tax credit equal to 10 percent of total volume

Investment in corn, vegetables, fruits and fodder plant cultivation shall be exempted from corporate tax up-to 50% of the products

7200 items can be exported to the EU markets on GSP+ scheme with zero import tariff

Investor's Protection in Mongolia



Requirements Imposed on foreign Investors only

- To register with Foreign Investment and Foreign Trade agency
- To show a minimum of US\$100,000 in assets

Taxation issues of concern to foreign investors

- Revisions of the Mongolian Tax Code
- Uranium law of 2009
- Windfall profits tax on Copper and Gold sunsets in 2011
- Law on Concessions of Mongolia (PPP) approved on 28 January, 2010.

Foreign trade zones/free ports

- ❑ The Mongolian government launched its free trade zone program in 2004
 - ❑ Altanbulag FTZ
 - ❑ Zamyn Uud FTZ
- ❑ Both FTZs are inactive, with no development at either site. However, there are concerns about the Mongolian free trade zones in general and Zamyn-Uud in particular.

Government investment programs

- 40 thousand housing units
- Choir zamyn uud Paved Road
- Free trade zones projects
- Mining and Processing of minerals projects



Mining sector

There are over 8000 deposits of 440 different minerals:

- 181 gold deposits
- 5 copper molybdenum
- 10 steel, iron
- 4 silver, magnesium, mica
- 3 gypsum
- 3 asbestos
- 3 graphite
- 2 bitumen
- 42 coal, brown coal and phosphorus
- 42 fluorspar
- ...

Mining sector in a glance

There are over 8000 deposits of 440 different minerals.

The output of mining sector
comprises 81.7% of the total export

18.2% of
GDP
by 2010

Coal export
30.3% of the
total export

Copper con.
26.6% of the
total export

Iron ore
8.7% of the
total export

Gold
6.2% of the
total export

The Mongolian Government has identified a number of the largest deposits that have strategic importance for the country and where development of the mining industry should be focused.

Tavan tolgoi	Stone coal	South Gobi, Tsogttsetsii
Nariin sukhait	Coal	South Gobi, Gurvantes
Baganuur	Brown coal	Ulaanbaatar, Baganuur
Shivee ovoo	Brown coal	Govisumber, Shiveegovi
Mardai	Uranium	Dornod, Dashbalbar
Dornot	Uranium	Dornod, Dashbalbar
Gurvanbulag	Uranium	Dornod, Dashbalbar
Tumurtoi	Iron ore	Selenge, Khuder
Oyu tolgoi	Copper, molybdenum	South Gobi, Khanbogd
Tsagaan suvarga	Copper, molybdenum	Dornogovi, Mandakh
Erdenet	Copper, molybdenum	Orkhon, Bayan-undur
Burenkhaan	Phosphorite	Khuvsgul, Alag-Erdene
Boroo	Gold	Selenge, Bayangol
Tumurtein ovoo	Zinc, lead	Sukhbaatar, Sukhbaatar
Asgat	Silver	Bayan-Ulgii, Nogoonnuur

Agriculture sector



Agriculture sector in a glance

600 000 ha land has been processed for crop, wheat and vegetable production out of 1.2 mln. ha land

The output of livestock production comprises 75% of the total output of agricultural production

16% of GDP,
35% of total employment

100% of potato need is provided domestically

20% of milk need is provided domestically

50-100% of vegetable and crop needs are provided domestically

Total livestock has reached over 32.7 million herds by 2010

Tourism sector



Tourism sector in a glance

Mongolian tourism sector was almost fully private-sector based in the last decade and a business-friendly legal environment has been effectively sustained in this sector.

4% of GDP,
1% of employment

Revenue of USD 296 mln.
per year

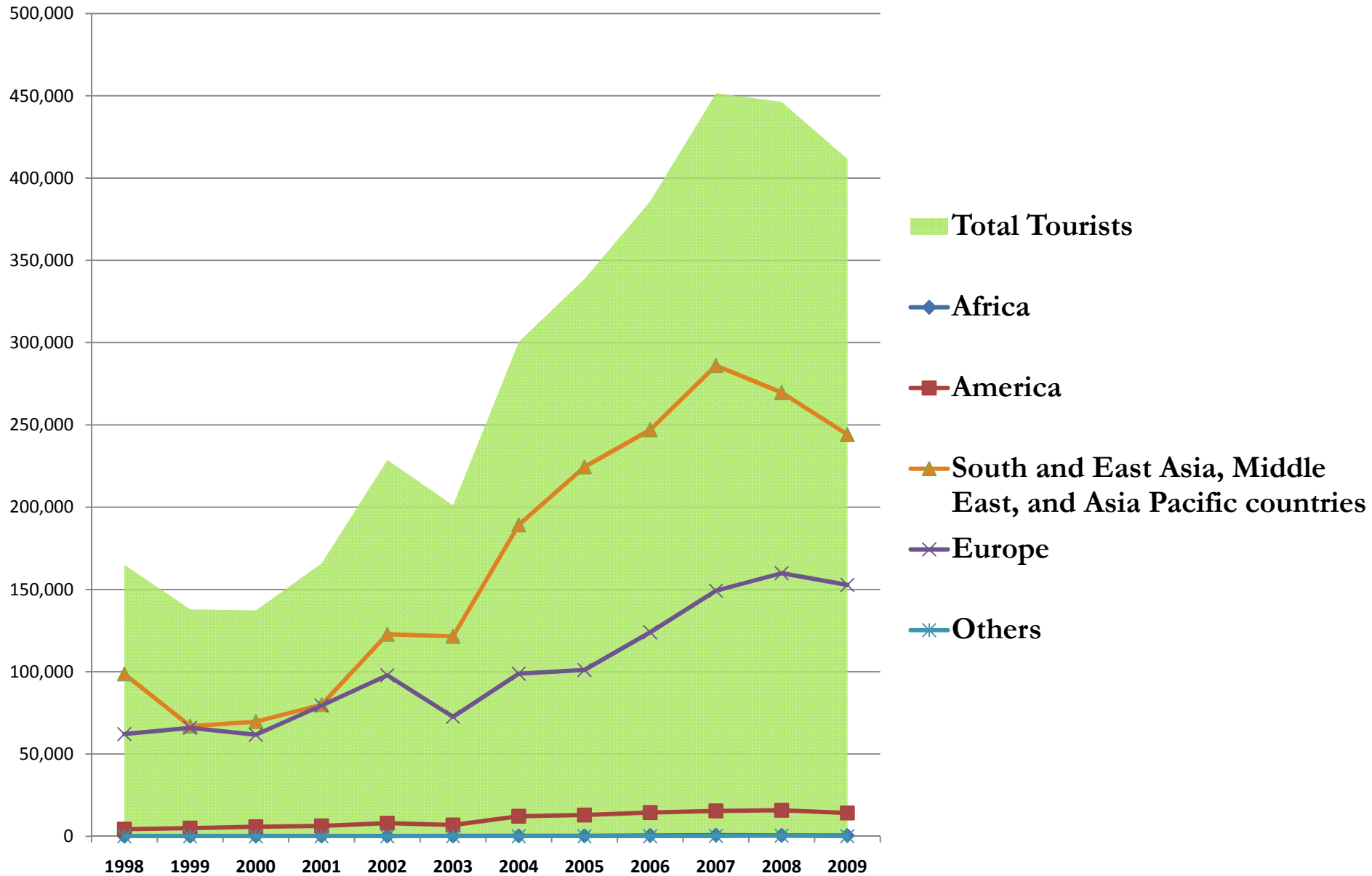
452 tour
operator
companies

340 tourist
camps, of
which 79 are
high standard
camps

326 hotels, of
which 60 are
star-rated

52 public and
private
universities in
the sector

Tourists' Volume in the last decade



Tourists' major destinations in Mongolia



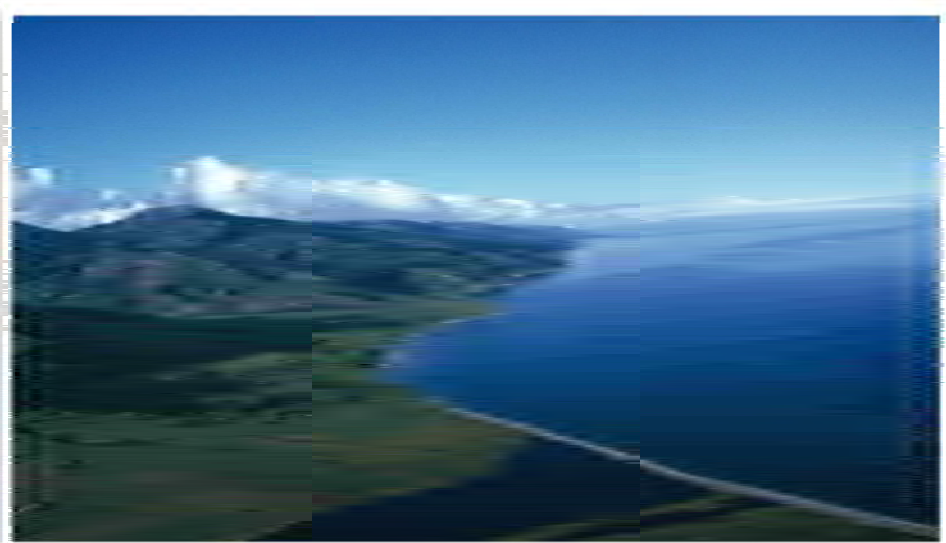
Ulaanbaatar



Gobi



Karakorum



Khuvsgul

Brief profile of the CFCFA members and their activities

Brief profile of members

Mongolian National Chamber of Commerce and Industry MNCCI

- ❑ was established in 1960
- ❑ non government organization
- ❑ main representative of the business community
- ❑ there are 2400 members
- ❑ one leader of trade facilitation activities in Mongolia
- ❑ established 45 councils under the chamber since 2003 including:
 - Exporters council
 - Importers council
 - Trade and transport facilitation council

National Road Transport Association of Mongolia NRTAM

- ❑ was established in 1996
- ❑ reorganized in 2005
- ❑ member of IRU
- ❑ there are 70 members
- ❑ to organize trainings and seminars
- ❑ to develop and promote sector strategies
- ❑ to cooperate with other transport associations of Russian Federation, Kazakhstan and Japan

MNCCI services

- Rendering overall business service to its member and non-members
- Certifying foreign trade documents, issuing Certificate of origin
- Promoting export and SMEs
- Conducting training, seminars and conferences
- Organizing domestic and international exhibitions and trade fairs etc.
- Neutral inspection of quality, quantity & its completeness of export & import items
- Sending and hosting business missions
- issuing ATA carnets
- allocation of bar codes
- To register patent and trademark
- To perform the role of independent arbitration on foreign trade disputes

*For more information: **www.mongolchamber.mn***

MNCCI activities related to trade and transport facilitation

In 2010

- drafted Mongolian National Single Window implementation master plan with cooperation with government organizations
- organised meetings and seminars on trade facilitation with all stakeholders
- organized study tour and meeting in Beijing and Tianjin with China International Freight Forwarding Association-CIFA
- provided short trainings on transport and logistics

Trade facilitation in Mongolia

Initiation and implementation of trade facilitation in Mongolia

- ❑ Translation of UN/CEFACT recommendation No:33 submitted to the Government of Mongolia from the MNCCI & MCGA, 2006
- ❑ WG for SEW establishment by government resolution No:251, 18, Oct 2006
- ❑ National Program on SEW approved by the Government resolution No:131, 2007

Reasons of the negative performance

Since the establishment of WG already passed 2 years but there hasn't been done enough activities until 2009 on the following reasons:

- ❑ Lack of leadership & coordination mechanism
- ❑ Lack of commitment among related public organization & interested parties.
- ❑ Communication link between administration, secretariat and WG members is not clear
- ❑ Shortage of finance & knowledge of stakeholders and public awareness on SEW

Cont...

Considering the above mentioned reasons:

- ❑ Establishment of WG of MNCCI and MCGA to improve the activities and power the implementation program, March 2009 on basis of PPP principle.
- ❑ Letter to the Prime Minister submitted by the MNCCI & MCGA to improve the participation of other governmental parties or public institutions and business entity etc.

Cont...

The objective of the Lead agencies as PPP model for SEW:

- ❑ To make coordination between related stakeholders
- ❑ Raising public awareness and organize workshops and training
- ❑ To help improving the IT infrastructure and legal framework review
- ❑ Determine financial requirements and help to find investors, strategic donor partners
- ❑ To implement pilot projects with international organizations
- ❑ Official launch of implementation MNSW

Actions taken by the WG

MNCCI request to UNESCAP:

- ❑ The national workshop on Establishing “SEW” was jointly organized in collaboration with UNESCAP, ADB and UNECE on 29, Sep 2009.
- ❑ The experts & participants approved recommendations including on SEW and sent to the PM & other related government agencies.
- ❑ In Dec, MNCCI organized training on development of SEW implementation master plan with the assistance of ESCAP
- ❑ In Mar, 2010, all stakeholders and WG members meeting organized and introduced future plan etc.

The master plan

Short-term strategy is to:

- ❑ Make an analysis on foreign trade activity, reduce the number of foreign trade documents and make a simplification and harmonization of FTD according to the international standards
- ❑ Improve economic efficiency by reducing transaction costs, harmonizing agencies' systems and procedures internally and in conformance with international standards
- ❑ Improve transparency, fiscal revenues, controls, and reduce red-tape

Cont...

Mid-term strategy is to:

- ❑ Based on international best practices, develop and implement the first commercially-run and financially self-sustained public-private partnership in Mongolia operated as a BOT concession to serve as a model that can be replicated to finance infrastructure with private sector participation to reduce the fiscal burden on the state budget and improve efficiencies.
- ❑ Develop a modern logistics management system for transit goods to compensate for Mongolia's landlocked status and take advantage of its geographic position

Cont...

Long-term strategy is to:

- ❑ Enable Mongolia to link in the future with other countries and regional economic cooperation organizations in an electronic trade environment
- ❑ Facilitate cross-border trade by moving to a paperless trade environment and increasing Mongolia's competitive participation in regional and international markets

Requirements to implement the master plan

In order to implement SEW, we need:

- ❑ Political commitment (approved by the Parliament & included in its action plan)
- ❑ Institutional arrangement (appointed the lead agency on basis PPP)
- ❑ Legal condition (relevant laws (E-Signature, E-transaction & Information security law) submitted to the Parliament)
- ❑ Technological requirements (did the study on ICT infrastructure of private sector and relevant stakeholders etc)

Thank you for your attention

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