



Mongolian National Chamber of Commerce and Industry

The main representative body of Mongolian Business Community

.... Since 1961



“Challenging Country - Mongolia”

Magvan OYUNCHIMEG Vice-Chairperson

MNCCI

Hangzhou 25 September 2007

The views expressed in this presentation are the views of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequences of their use. Terminology used may not necessarily be consistent with ADB official terms.

Content

- Current situation and conditions of:

- Economy

- Foreign Trade

- Investment

- Mining

-

in Mongolia

Mongolia: Country basic facts

- Located in Central Asia,
between Russia and China
- 2.5 million people,
70% of the population is under 35 years old
- 1.564 million sq.km /larger than the territories of
Britain, France, Germany and Italy combined/
- Capital: Ulaanbaatar city with population of 700 000

Mongolia: Country basic facts

- Sharp, continental climate with 4 seasons a year
- The official language is Mongolian
- 26 million of livestock
- Religion: Tibetan Buddhism with elements of Shamanism
- Currency unit: Tugrug, MNT 1165=US\$1
/as of March. 2007/
- Adult literacy rate: 97.8%

ECONOMY

Economy

At the end of 2006,

- GDP reached to 3.2 bln tugrug, (appx 2.8 million US)
- GDP per capita- 1051 USD,
- GDP growth-8.4%,

Economic growth

- Mongolia stands out as a nation of rapid development among transition economies. After a 22% drop in GDP between 1990 and 1992, the economy returned to a positive growth rate in 1994. An average annual rate during the transition phase of 1994 to 1999 was 3.5%. The annual GDP growth rate climbed to 10.7% in 2004, 6.2% in 2005 and 8.4% in 2006. Compared with other transition economies in the region, Mongolia has the second highest per capita GNI (1051 USD in 2006) and the lowest inflation rate.

Inflation, exchange rates

- Inflation figures were very high in the early 1990s, stabilized at around 10.0% during the late 1990s, dropped to 8.2% in 2001, and at the end of 2006, the inflation rate down to 6% in 2006
- The national currency is the tugrik (MNT). Mongolia maintains a floating exchange rate that has remained stable since 2000.

FOREIGN TRADE

Mongolia Global and Regional Trade Priorities

- WTO member since 1997
- WTO trade policy review 2005: Accession commitments implementation "Beyond the commitments"
- Towards new, better trade and economic environment
- Real economic growth in
 - 2004-10.4%
 - 2005-6.2%
 - 2006-8.4%

Mongolia Global and Regional Trade Priorities

- Landlocked Developing Country (LLDC)
- Main export commodities- textile and mining products
- Import is mainly comprised of consumer goods, foodstuff
- Need for an a regional economic integration

Mongolia Global and Regional Trade Priorities

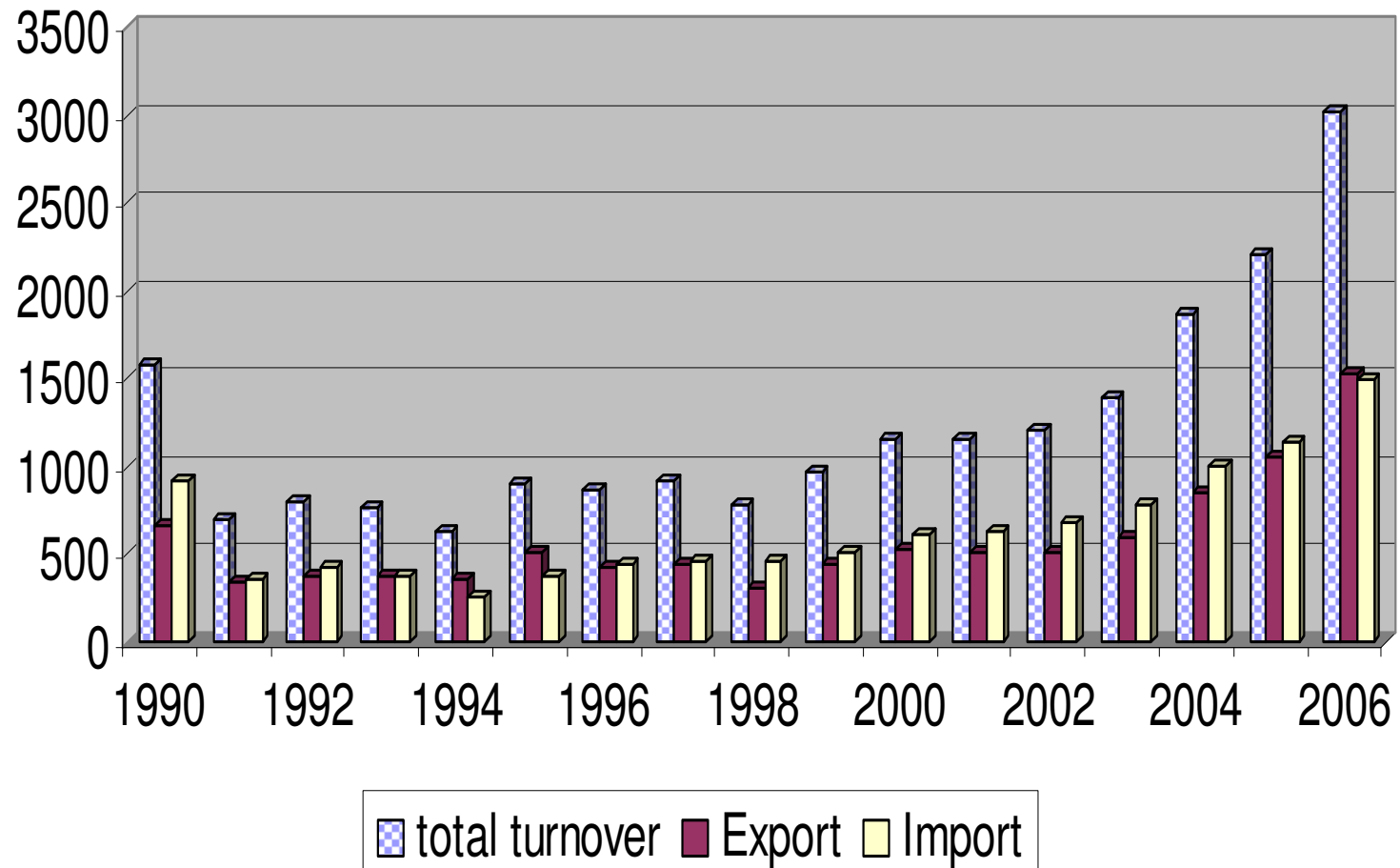
Bilateral arrangements with major trading partners:

- Russia-Good neighboring traditional partnership since 2000
- China- Good neighboring partnership based on mutual trust since 2003
- USA-Comprehensive cooperation partnership since 2004
- South Korea- Friendly neighbor partnership since 2006
- Japan-Comprehensive cooperation partnership since 1996

Foreign trade of Mongolia

- Total foreign trade turnover has surpassed 3 billion US \$ in 2006
- Foreign trade has come up with positive balance with approximately 40 million US \$

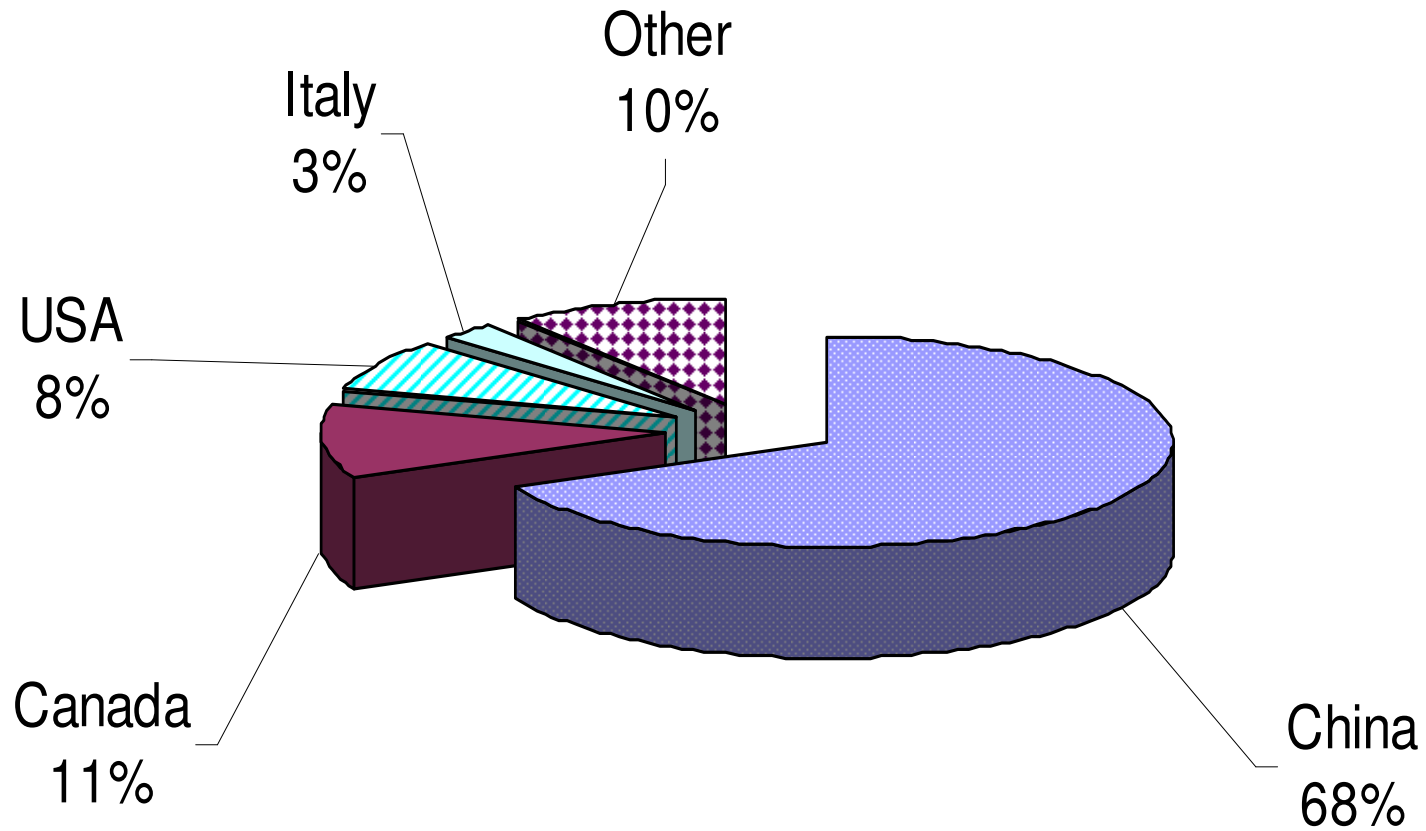
Foreign trade turnover 1990 - 2006, mln \$



Total Export

- The volume of export is 1528.8 mln USD which means increase by 436.9 mln USD in comparison with the previous year.
- 93.8 percent of exported goods comes to transaction paid in hard currency, while barter is 0.1 percent and goods for inward processing are 5.2 percent. The volume of trade paid in hard currency has been increased by 471.0 mln USD (48.9%) while export of barter trade and goods for inward processing has been decreased by 51.5 and 13.4 percent respectively if compare with last year.

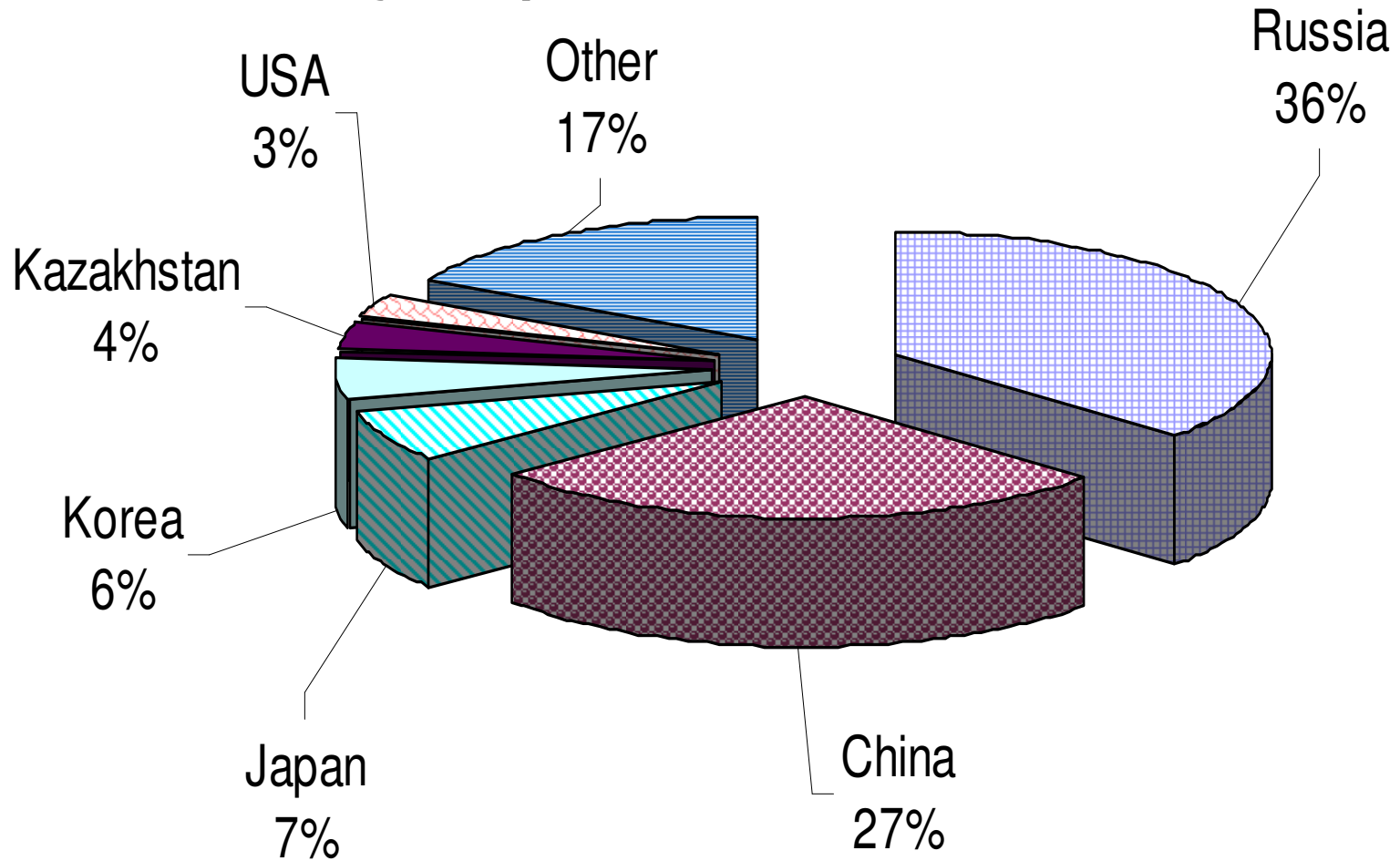
Main Export Countries in 2006



Total Imports

- Goods with value of 1489.2 mln USD had been imported and the volume of import increased by 304.8 mln USD or 25.7 percent in comparison with 2005.
- Imported goods consist of transactions paid in hard currency (82.2%), goods supplied by foreign loan (1.1%), goods imported as a foreign aid (2.7%), commodities imported as an investment (9.8%) and materials for inward processing (3.8%). Imported goods paid in hard currency increased by 341.9 mln USD, total volume of aid commodities supplied also increased by 11.1 mln USD, while total volume of commodities as an investment gone down by 6.9 mln.USD, import commodities supplied by loan and import of goods for inward processing decreased by 20.6 mln.USD and 16.1 mln.USD respectively.

Major Import Countries in 2006



INVESTMENT

Foreign Investment Environment

- ❑ Member of WTO – 1997
- ❑ “Washington Convention on Investment Dispute Settlement of 1965” – 1996
- ❑ “Seoul Convention on Investment Insurance of 1985” - 1999
- ❑ Member of the Multilateral Investment Guarantee Agency (MIGA)

Foreign Investment Environment

- “Agreement on Mutual Protection and Promotion of Investment” with 39 countries:
 - with China in 1993
 - with Germany in 1996
 - with USA in 1997
 - with Japan in 2001
 - with Russia in 2006

- “Agreement on Avoidance of Double Taxation” with 34 countries:
 - with China in 1993
 - with Germany in 1997
 - with Russia 1998

Rights of Foreign Investor

- run any business in all areas of production and all services other than those prohibited by the laws of Mongolia;
- establish wholly foreign-owned business entities or joint business entities with Mongolian investors;
- receive treatment equal to that enjoyed by domestic investors;
- own, utilize and exploit assets and capital

Foreign Investment Environment

TAX: Lowest in the region

❑ corporate tax - **10%**, **25%**

❑ value added tax - **10%**

List of Priority Sectors

Government Resolution No.311

Manufacturing sector:

- production of environment friendly briquette fuel
- iron ore, iron products
- reinforcement
- pipe
- wire
- coal gas and coke
- resin, other resin products

Advantages of Mongolia

- *GSP+ Scheme*
- allows Mongolia to export over 7200 product items
- Such as
 - - copper and copper products,
 - - iron and iron products,
 - - zinc,
 - - aluminum,
 - - lead and lead products
- without any duties or quata to the EU market

Mongolia's Ranks

■ UNCTAD Report

Mongolia is among leading countries out of 140 by the **investment capacity index**

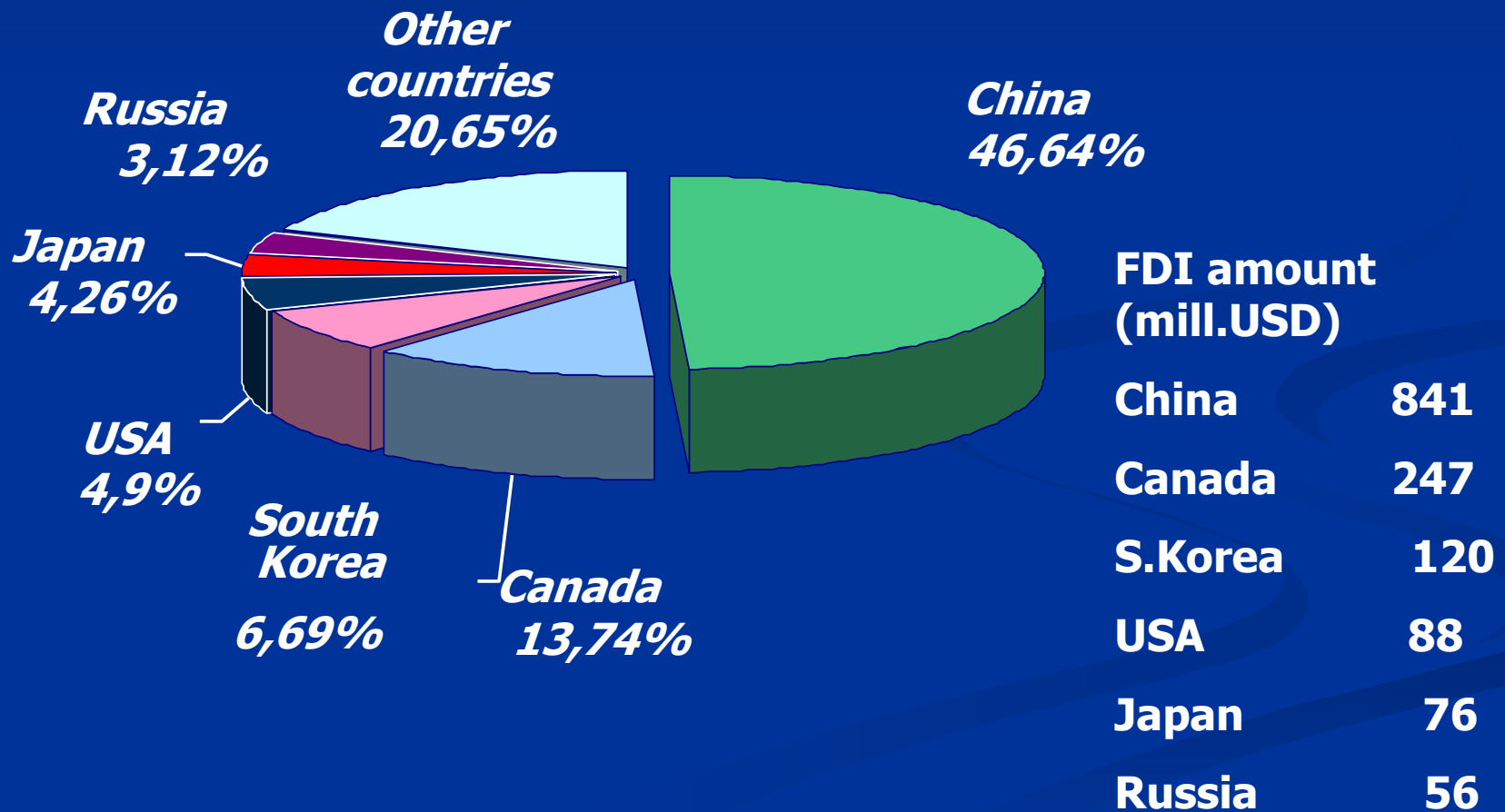
■ Moody's and Fitch Ratings

long-term foreign currency and local currency rating **B+** to Mongolia

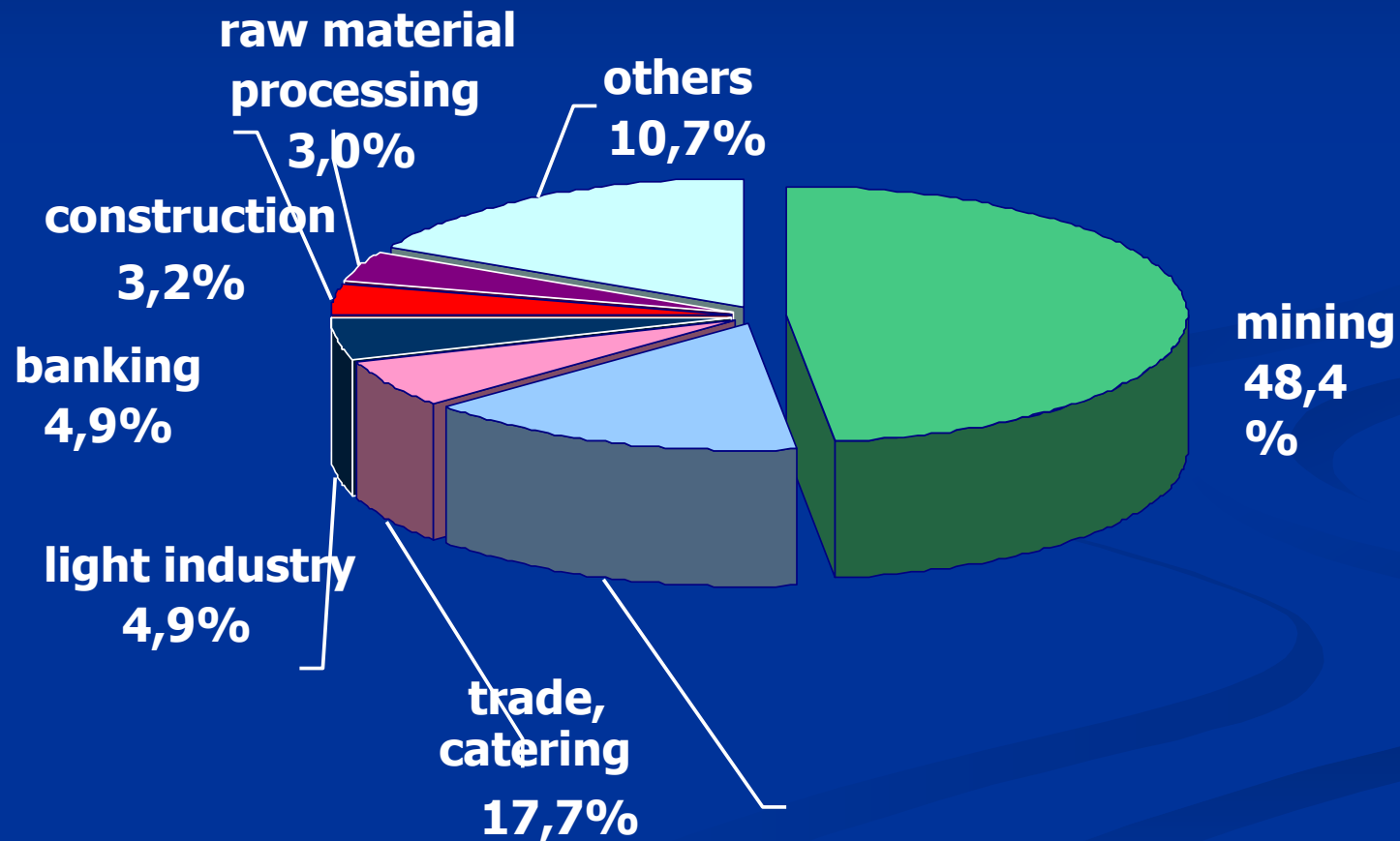
Mongolia's Ranks

- *Mongolia currently enjoying stable economic growth and moderate inflation* according to a WTO Secretariat report on Mongolia Trade Policy Review made in March, 2005
- *Doing Business 2007* by WB and IFC comparing business regulations of 175 economies, Mongolia ranked **# 45** on the ease of doing business

Foreign Direct Investment



Foreign Direct Investment 1990-2006



INVESTMENT AGREEMENT

If the investor who holds special permit for mining and invested over 50 million USD in first 5 years requests, the investment agreement can be signed.

First 5 years investment	The period of investment agreement
50.0+ million USD	10 years
100.0+ million USD	15 years
300.0+ million	30years

Investment agreement will be co-signed with government members who are responsible for Finance, Geology and mining, and environment

Mongolian National Chamber of Commerce and Industry

The main representative body of Mongolian Business Community



THE BEST TRADE PROMOTION
ORGANIZATION IN THE WORLD IN 2007
(Best in Transition Economy)

BY:

WTO'S
INTERNATIONAL TRADE CENTER (ITC)

Our Vision:

- To be the leading and proactive stakeholder in developing the Mongolian Private sector
- To be the main promoter and facilitator for a sound business and investment environment in Mongolia
- To be main business and economy related policy advocacy institution of Mongolia

Mongolian National Chamber of Commerce and Industry

1500 members nationwide through it's 15 branch chambers

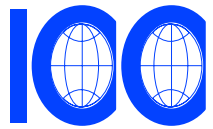
Public-Private-Partnership mechanism through the

Government-Private sector Consultative Committee and
Standing Committees of the Parliament vs MNCCI
Standing Committee

Mongolian National Chamber of Commerce and Industry

- The National Arbitration Court
(21 branches in nationwide)
- The National Cleaner Production Center
- BCSD-Mongolia (Business Council for Sustainable
Development of Mongolia)
- Coalition of Anti-Corruption of Mongolian NGOs

International Membership & Cooperation



- **ICC** (International Chamber of Commerce and Industry)



- **CACCI** (Confederation of Asia-Pacific Chambers of Commerce and Industry)



- **WBCSD** (World Business Council for Sustainable Development)

International Membership & Cooperation

- **ATPF** (Asian Trade Promotion Forum)



- **EAN International**



- **BIE** (Bureau International Exposition)

- **FARA** (Federation of Asia Pacific Retailers Association)



- **ATA Carnet**



- **ILAC** (International laboratory Accreditation Cooperation)

International Membership & Cooperation

- Cooperation agreement with 42 Foreign Chambers and TPOs such as JETRO, MATRADE, Korean CCI, Paris CCI, London CCI and so on
- Active, efficient and permanent business cooperation with international organizations such as ITC, UNCTAD, UNIDO, UN Global Compact, ESCAP, PUM and so on

Joint Projects for Sustainable Development and Corporate Social Responsible Business

- ECOPROFIT (Austria and Irish partners)
- PUM Cooperation (Dutch Government)
- Geographical indication (ITC)
- The second phase of “TUUL 21 “ project entitled “Institutionalizing Cleaner Production & Waste water monitoring in Mongolia” has been launched by the Royal Netherlands Embassy and MNCCI in September 2004.

Joint Projects for Sustainable Development and Corporate Social Responsible Business

- Since 2006, MNCCI, SEQUA-Partner of German Business, and the Austrian Federal Economic Chamber (WKO) represented by its Institute for Economic Promotion (WIFI) have been jointly implementing the “Asia Invest II” Project through European Commission’s “Asia Invest II” Program.
- The German Association of Chamber’s of Commerce and Industry (DIHK) and the MNCCI have been implementing “MNCCI and DIHK Partnership Project “ since March 2006, in order to promote SME’s in Mongolia through a MNCCI service expansion and development of pleasant economic environment.

Joint Projects for Sustainable Development and Corporate Social Responsible Business

- “72 to EU” project based on GSP+ of EU.
- In October, 2000, the Royal Netherlands Embassy (RNE) signed a contract with MNCCI for the implementation of a project NEW-21 or more specifically “Promoting Energy Efficiency Investments in Mongolia’s Industry- Establishment of ESCO Mongolia”
- Mongolian Entrepreneurship Network (MEN)
The German Technical Cooperation, North Bavarian Entrepreneurship Network and MNCCI started to implement the MEN project in August 2005 to promote & support existing and start-up entrepreneurs.

PPP mechanism at the Chamber

Consultative Committees

- Government –Private Sector consultative committee
- Capital City Mayor’s Administration-Private Sector consultative committee
- Joint Consultative Committee with Ministry of Legislation
- Customs and Business Consultative Committee
- Science and Business Consultative Committee

PPP mechanism at the Chamber Standing Committees with the Parliament of Mongolia

- Standing Committee on Economy
- Standing Committee on Environment and Rural development
- Standing Committee on Social policy
- Standing Committee on Legislation
- Standing Committee on Budget

Councils at the Chamber

- Scientists Council of Mining & Geology
- Tourism Development Council
- Handicraft Council
- Mining Sector Sustainable Development Council
- Energy Council
- Importers' Council
- Micro & Small Business Council
- Micro Finance Development Council
- Textile & Garment Industry Council
- Real Estate Development Council
- Information Technology Council

Councils at the Chamber

- Retailer's Council
- Council on Cashmere Export
- Leather Sector Sustainable Development Council
- MONPRO Committee/ Trade Facilitation Committee
- Women Entrepreneurs Council
- Bio & Eco Product's Development Council
- Legal Counselor's Council
- Human Resource Development Council

Most popular events in Mongolia hosted by MNCCI

- TOP-100 companies of the year and +
Challenging 50
- Best 5 on CSRB (Corporate Social Responsible
Business)
- Entrepreneur of the Year
- Lady Entrepreneur
- Mongolian Grand Quality of the year
- Best Brands of the year

Useful web sites and guide

- “Business Guide to Mongolia” CD (MNCCI)
- www.mongolchamber.mn
- www.mncci-portal.mn
- www.virtual-expo.mn
- www.mof.pmis.gov.mn/: Ministry of Finance
- www.mongolbank.mn/: Mongol Bank
- www.mit.pmis.gov.mn: Ministry of Trade and Industry
- www.investmongolia.com: (FIFTA)
- www.icta.gov.mn/ Information, Communication Technology Agency
- www.mrpam.gov.mn Mineral resources and Petroleum authority of Mongolia
- www.mta.mn/ General Department of National Taxation

THANK YOU

Mongolian National Chamber of Commerce and Industry

J.Sambuu Str-11, Ulaanbaatar-211238, Mongolia

Tel: 976 11 312501, Fax: 976 11 324620

www.mongolchamber.mn

www.mncci-portal.mn