2005 MONGOLIA COUNTRY COMMERCIAL GUIDE

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Chapter 1: Doing Business in Mongolia

Market Overview:

- **Prospects for 2005-2006**: Surging to 10% in 2004, growth was led by higher commodity prices for gold, copper, etc. spurred by demand from Mongolia's chief trading partner, China. Government estimates predict 8% growth in 2005. However, 8% may be too optimistic as the impact of the end of the Multi-Fiber Agreement on Mongolia's 2nd biggest export earner—apparel—will lower overall growth. Economic tightening coupled with a high rate of public indebtedness promise to make 2005 and 2006 leaner years for Mongolia.

- **Political Situation:** Mongolia has held eight presidential and parliamentary elections in the past 12 years, during which power changed political hands peacefully. In 2004, the Democratic opposition won 34 seats, leaving the former communists (MPRP) with 36, with 3 seats going to independents and two still in dispute (seven months after the election). There was some initial worry that the even split between rivals would render Mongolia ungovernable; however both parties formed a Grand Coalition government that has held together and governed so far. Changes have yet to disrupt the local business environment or the administrative apparatus.

- **Mongolian-U.S. Relations:** Good Mongolian-US relations have developed rapidly over the last 15 years to include humanitarian and technical assistance, military to military relations, business development, and a host of smaller programs. Mongolia calls the US its "third neighbor" to balance relations with China and Russia. Mongolia has contributed peacekeeping forces to both Iraq and Afghanistan. Over the past decade, we record no incidents of anti-American sentiment or politically motivated damage to American projects or installations.

- **Russo-Sino-Mongolian Relations:** Relations with Russia and China are critical because Mongolia depends on both for power, petroleum and transportation. Sour relations among these neighbors invariably affects Mongolia's business environment. When the Dalai Lama visited in spring 2003, the Chinese temporarily halted all commercial rail shipments for "technical reasons."

Market Challenges:

- Weak rule of law
- Corruption in the bureaucracy
- Ignorance of best commercial practices in the government and private sectors
- Lack of transparency in regulatory and legislative processes
- Some abuse of phyto-sanitary and licensing regimes in both the pharmaceutical and food production industries to protect existing state and private interests

Market Opportunities:

- **Mining:** Over 6000 deposits of approximately 80 minerals exist in Mongolia, among them coal, copper, uranium, iron ore, oil, tungsten, molybdenum and phosphate. Of particular note are Mongolia's excellent metallurgic coal deposits. Currently, 160 are being exploited. Mongolia's location next to resource needy Chinese provides a ready market for Mongolia's mineral wealth. As with all industrial sectors in Mongolia, the developing infrastructure is a concern.

- **Construction:** The population of the Mongolian capital Ulaanbaatar has more than doubled in 7 years from 450,000 to over a million. Quality commercial and residential stock is in short supply and demand shows no signs of slacking. By 2010, Ulaanbaatar's population is expected to grow by over 60%, bringing a demand of 700,000 additional family units as well increased need for expanding municipal facilities.

- **Tourism:** Mongolia is an attractive venue for adventure and cultural tourism. In 2004, the government estimates that over 200,000 visitors saw famed fossil discoveries, a legendary history, religious sites, and a vibrant, living nomad culture. However, long, cold winters limit the length of the tourist season. Inadequate tourism infrastructure requires upgrading.

- **Meat Processing:** Mongolia has vast herds of sheep and cattle, and hungry neighbors. Satisfying demand in Russia, China, Korea, and Japan offers an opportunity to American ranchers and meat processing and marketing technologies. However quotas and restrictive health regulations inhibit the meat trade among Mongolian and her neighbors. Existing Mongolian processing facilities require upgrading to increase production capacity, quality, and sanitation. For this and for other opportunities to export American agricultural products and technologies into Mongolia, contact the USDA supported Mongolia-based AGPROMO at agpromo@magicnet.mn.

Market Entry Strategies:

- **Personal Relations are key:** Mongolians like to deal with *old friends.* Investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Family and school ties are still very strong in Mongolia. Learn who is related to whom when establishing business connections.

- **Use of Agents:** Find a Mongolian advisor to guide through the ins and outs of local customs and business practices.

- **Structure of ownership:** The Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian partner. All investment may be 100% foreign-owned and operated (with the exception of land ownership).

- **Product Pricing:** Sensitive to price, Mongolian consumers will choose the less expensive product--unless they can be swayed by after-sales service or clear product superiority. They perceive American- branded goods as superior to all others, and will more often than not pay a premium to avoid purchasing lower cost, lower quality items.

Chapter 2: Economic and Political Environment

For background information on Mongolia's current economic and political environment please use the link to U.S. Department of State Mongolia Background Notes at http://www.state.gov/r/pa/ei/bgn/2779.htm; or please contact the Commercial Section at the US Embassy in Ulaanbaatar (commerce@usembassy.mn).

Chapter 3: Selling U.S. Products and Services

A. Distribution and Sales Channels

Distributors or agents who handle internal distribution and marketing represent many US companies in Mongolia. The US Embassy in Ulaanbaatar can help US exporters find appropriate sales agents in Mongolia. An Embassy-assisted distributor search will help gauge interest in your product and begin the process of finding a suitable representative.

B. Registering a Business

Mongolia has a relatively transparent and uncomplicated business registration process. For both joint ventures and sole proprietorships, the process begins at the Foreign Investment and Foreign Trade Agency (FIFTA). FIFTA can independently register all ventures with a capital investment of 10,000.00 US Dollars and up. For joint ventures, the foreign and Mongolian companies file an application and a joint venture agreement. A fully foreign-owned company submits information on its activities along with the application letter. **Investors should note that the Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian joint venture partner. Businesses may be 100% foreign-owned and operated.**

FIFTA charges $12 USD for certificates of approval. The joint venture must register the company name with the Registration Office of the General Department of State Taxation to insure no two companies have the same name.

To become a legal entity in Mongolia, the company must receive final approval from the General Department of State Taxation. The Department registers the business entity and makes the registration public. The General Department of State Taxation requires a $10 filing fee and the following documents from investors:

- The agreement and charter signed by all parties involved in the venture.
- The certificate of approval from FIFTA.
- A notarized schedule showing the equity share held by each partner.
- The account numbers of Tugrik and hard currency accounts in a local bank to be used by the venture.
- A copy of the foreign company representative's passport.
- A certificate showing the amount of capital held by the foreign company in its home country.
- A certificate of approval from the local administration where the venture will be based in Mongolia.

Applicants may need additional documents and (or) pay additional fees on a case-by-case basis.

A representative office of a foreign entity may initially register for 3 years. The initial registration fee is $700, of which $500 goes to the State Taxation Department and $200.00 to FIFTA. Each extension of up to 2 years costs $300.

C. Selling Factors/Techniques

Personal relationships in business are critical. The Mongolians like to deal with *old friends.* Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and the buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.

Family and school ties are still very strong in Mongolia. It is important to learn who is related to whom when establishing business connections.

D. Advertising and Trade Promotion

Advertising is an effective way to create product awareness among potential consumers in Mongolia. Newspapers and magazines, radio, cell phones, television and billboard displays, and sports and entertainment sponsorships are mass advertising venues. Almost every household in Ulaanbaatar (over 40% of Mongolia's consumer market) has both TV and radio. There are many advertising companies in Mongolia. The Mongolian Chamber of Commerce and Industry holds annual spring and autumn trade shows with participants from around Mongolia, Russia, China and Korea.

Two caveats about advertising:

1. In the US companies can deduct the cost of advertising as a legitimate business expense. In Mongolia deduction of advertising costs is limited to 5% of the gross profit—no matter how much a company spends on advertising.

2. The Law on Advertising of Mongolia restricts the sorts of information that may be presented. For example, advertisers must not *tarnish* the honor of Mongolia and cannot compare prices in their ads.

These issues aside, Mongolians have taken to advertising in a big way. Both buyers and sellers appreciate the value of advertising and are completely open to just about every method of providing information on products.

Major newspapers:

Business Times - a monthly business paper, in Mongolian, published by the Mongolian Chamber of Commerce and Industry

Mongol Messenger - weekly English language paper published by the Mongolian news agency

MONTSAME (the Mongolian national news agency)

Mongolyn Medee - (News of Mongolia) daily newspaper of the Erel Company

Odriin Sonin - (Daily News) daily newspaper

UB Post - weekly English-language newspaper published by Mongol News Group

Unoodor - (Today) independent daily newspaper published by Mongol News Group

Zuuny Medee - (Century News) daily newspaper

Television stations include:
Channel 25, owned by the Mongol News Group

Mongol TV - state-owned broadcaster

RGB - independent television station in Darhan

UBS - (Ulaanbaatar Broadcasting System) citizens representative board

TV-5-privately held broadcasting company

TV-9- private television station

E. Product Pricing

Sensitive to price, Mongolian consumers will choose the less expensive product--unless they can be swayed by after-sales service or clear product superiority. However, Mongolians prefer to buy the best quality they can. They perceive American- branded goods as superior to all others. They will more often than not pay a premium to avoid purchasing lower cost, lower quality items.

F. Sales to the Government

Donors have helped Mongolia bring its procurement practices in line with open and competitive bidding. Mongolia adopted a new public procurement law in 1999 making the process more transparent. Most tenders now follow World Bank procurement policies. In March 2000 Parliament approved a new government procurement code conforming to World Trade Organization standards. However, remnants of the socialist system remain, and personal relationships are important.

G. Local Professional Services

Licensing technologies, opening representative offices, or establishing subsidiaries in Mongolia involve tax and other laws as well as questions on business practices that may best be addressed by attorneys and accountants familiar with Mongolian requirements.

Accountants: The only western firm in Mongolia is Ernst & Young.

Ernst & Young
Chinggis Avenue 11/1
Ulaanbaatar, Mongolia
Tel: (976-11) 319-269, 319-270
Fax: (976-1) 319-249

Attorneys: Several US firms or US-Mongolian firms operate in Mongolia, in addition to competent Mongolian firms. You can find a complete list on the US Embassy website: www.us-mongolia.com, or contact the US Embassy in Ulaanbaatar at commerce@usembassy.mn or cons@usembassy.mn.

Chapter 4: Leading Sectors for U.S. Exports and Investment

A. NON-AGRICULTURAL SECTOR

1. Mining
2. Construction
3. Tourism
4. Franchising
5. Information Technology and Communications

1. Mining

Critical to Mongolia's economy, mining accounts for approximately 50% of gross industrial output. In 2002 it represented nearly 33% of all exports. Between 1990 and 2001, the mining industry accounted for 31% of all foreign direct investment in Mongolia. The 1997 Minerals Law of Mongolia, considered among the best in the world, provides investors with a clearly defined, stable legal environment.

Mongolia mines yield coal, copper, uranium, iron ore, cored oil, tungsten, molybdenum and phosphate. Over 6000 deposits of approximately 80 minerals are estimated to exist in Mongolia. Currently, of the 400 revealed deposits, 160 are being exploited. As with all industrial sectors in Mongolia, a concern in the mining sector is the developing infrastructure.

Much foreign aid has been invested in exploration over the last 30 years. These exploration efforts have revealed Mongolia's wealth of natural resources. Mongolia's location provides it access to the huge Chinese and Russian markets.

2. Construction

Although limited by its harsh winter climate, Mongolia's construction sector continues to flourish. While Mongolia's total population remains small at 2.6 million, 55% of the people reside in cities, creating a larger than expected housing market. Most of the cities, particularly Ulaanbaatar, have grown phenomenally over the last 7 years. Ulaanbaatar has more than doubled in 7 years from 450,000 to over a million. Residential stock is in short supply and demand shows no signs of slacking. By 2010, the population of Ulaanbaatar is expected to increase by over 60%, bringing a demand of 700,000 additional family units.

Growing industrial, service and tourism industries contribute to strong construction demands. By mid 2003 construction had grown by 10% over the same period in 2002. Most commonly, the building of private apartments, shopping complexes, and small hotels. In this cold country, builders and buyers appreciate the financial and environmental benefits of energy efficient techniques. However, construction methods need improvement. Companies are still learning to utilize these technologies efficiently.

Mongolia needs expertise and technology, specifically in the areas of concrete and cold weather construction, and heating, ventilation and air conditioning installation.

At its Soviet-era peak in 1989, the construction sector made up ten percent of the gross national product of Mongolia. Once Soviet subsidies vanished, building projects stopped. Until 1996, the state undertook all construction activities. By 1998, Mongolia privatized its construction industry. In 2004 a mix of private and public companies are learning how to work and prosper in the free market. In addition, the privatization of apartments has inspired a host of renovations and additions to buildings. Rather than build or buy new homes, apartment owners improve what they have, creating a market for American home improvement materials and concepts.

Today Mongolia has 100 architectural and engineering design companies and over 800 construction companies. Of these, 40 are considered large operations with their own in-house design and engineering units or have a close relationship with one or more companies that either manufacture or import construction materials. The private sector can now initiate real estate development projects.

3. Franchising

Although no major American franchisers have entered the market, franchising can succeed in Mongolia. Of Mongolia's 2.8 million people, over 57% live in the three major urban areas. Ulaanbaatar (UB) has over a million people--40% of the total. It is the key market and economic engine in Mongolia. With such a concentrated populace, investors need no far-flung network to tap the market.

For American products, in general, Mongolia is an excellent fit. Mongolia is a very youthful country. Over 81% of Mongolia's 2.8 million are under 40. Approximately 76% are under 35 years. Flexible, open to new products, services, and ideas, Mongolians particularly like American brands. Most city dwellers have radios, TVs or most likely both. Newspapers are cheap and billboards abound.

Mongolians appreciate quality and will pay for it. Personal appearance and lifestyle count for much in Mongolia. People are conscious of where they shop, what they wear, what they eat, and what they drive. Mongolians will pay to convey the *right* message and to own the *right* product. American products are often *the right product*.

Mongolians also have an increasing disposable income. Although the government estimates the average monthly wage at 55,000 tugriks or about 53 US dollars, the official wage figures don't capture actual economic capacity. Unofficial estimates put annual per household income between 1,500 to 2,000 U.S. dollars. Most people earn hundreds of dollars a month through gray market activities, and foreign remittances bring in hundreds if not thousands of dollars for Mongolian families. Housing costs are low as are costs for staples. A best guess puts the effective number willing and able to pay for American goods and services on a regular basis somewhere between 400-600 thousand people.

Could Mongols buy American franchise products? The answer is yes. Would they, given the availability of cheaper competition? Most of these cheap products are of demonstratively lower quality. So if there were a quality alternative, and the price differentials were reasonable, franchisers and their franchisees could succeed.

4. Information Technology

A Young Market Drives Growth

In 5 brief years, Mongolian demand for computer goods and services has exploded. In absolute terms the numbers seem small: 50,000 computers in daily use by individuals, businesses, and government organizations. Over 100 Internet cafes, serve 600,000 regular users of computers and the Internet, 700 software developers, etc.

But tiny numbers hide tremendous expansion. In 1996, Mongolians had around 3,000 mostly obsolete units. The 15-fold increase to 50,000 units shows Mongolia's determined move into the electronic age. Growth rates in other areas mirror the expansion.

A young, well-educated population--**over 81% of Mongolia's 2.6 million under 40**--drives this expansion. Flexible and open to new products, services, and ideas, they particularly like American brands. They also are developing the skills to deliver products and services appealing to American investors.

Hardware Opportunities

Each year Mongolians import over 5500 computers each year. Since 1996 several companies have imported components and assemble and retail these computers in Mongolia. These companies account for 1500 yearly units. American hardware manufactures may want to look at Mongolia as place for assembly as well as export market for American components.

Mongolians currently import 4,000 pre-assembled units each year. Such American brands as Dell and Hewlett-Packard command 33% of this market. More telling, about 1,000 units of the yearly total are high-end PCs and computer systems. Of this 1,000, 70% (700) are American brands. Mongolians will pay for new systems and they will buy American.

A market for used computers exists in Mongolia. Many Mongolians won't pay 1,000 US dollars but will pay 200-500 US dollars for a basic system for Internet links and word-processing. Market tests by several local dealers have shown a near 100% sales rate for used computers. A market for leasing of computer equipment also exists as well.

Mongolians are also devoted to their cellular phones. Rather than spin copper wire all over the nation, Mongolians leapt into the 21^{st} century. Two private firms have created a cellular network that will within the next 3 years span the entire country. Nokia, Eriksson, and Motorola sell well. Cell ownership has largely overtaken landlines as the means for locals to communicate with one another. Estimates suggest that mobile users will soon broach 900,000 accounts: near a third of the Mongolia's population.

Software Opportunities

Mongolia's software industry offers low-cost, outsourcing. Businesses from Japan, India, Australia, and the European Union have contracted Mongolian services. Look at both the strengths and weaknesses in this sector. First, the problems:

- Inconsistent intellectual property protections.
- Shortage of capital for hardware and software investments.
- Lack of certification in the world standard operating systems currently used.
- Inexperience with project management and marketing.

Facing these challenges, the Mongolians have created an industry that offers quality software writing, data processing, and software servicing.

Intellectual property protection remains a nagging issue. However, the US Embassy, the Intellectual Property Office of Mongolia (IPOM), and the software industry are improving protection. The industry needs more education about their rights and responsibilities. They seek help finding lower cost options to acquire the development systems they need. They also seek protection for international as well homegrown products from the IPOM. Both the IPOM and the US Embassy have committed themselves to support this effort.

Lack of capital means that the technology is not the finest but is sufficient for international contracts. Foreign projects are usually completed well, on time, and at a cost 10 times lower than in Europe or America. One firm created and maintains a data base program for the European Union. The EU uses this program to monitor over 500 aid projects. Another maintains an Australian company's software used by most of Mongolia's private banks. A third tests and debugs software prepared by Japanese businesses.

Mongolians are developing specialties in databases and accounting software. Although the Mongolians are not formally certified, they have created programs to manage municipal and national finances as well as business-to-business and banking transactions. They provide service for those using the software of international companies in Mongolia. The Mongolians are well placed to serve as a low-cost component in a round-the-clock-global data management and financial services network.

Recent Government Efforts

February 2000 brought about the “Concept on Information and Communications Technology Development of Mongolia up to year 2010.” In 2001, the Communication Law was renewed, providing a definitive legal climate for Mongolia’s communications sector. However, concern remains about the government's commitment to the total independence of the regulatory committee. Mongolia's rapidly modernizing urban areas provide enthusiastic markets for future IT investment.

Telecommunications Equipment Imports & Exports

In thousands of US$	*1999*	*2000*	*2001*	*2002*
Exports from the US to Mongolia	*133*	*499*	*801*	*481*
Exports from Mongolia to the US	*0*	*0*	*0*	*21*

5. Tourism

Mongolia's wild, unspoiled land makes it a profitable venue for tourism. A low population density--about 2 people per square mile--has preserved both the traditional nomadic life and the country's natural environment. The Mongolian government and people have long valued the natural environment. In fact, over 14 percent of the country is biological protected area. Varied land and climate allows for diverse tourist interests. Famed fossil discoveries; a fabulous, legendary history; religious sites; and a vibrant, nomadic culture serve as additional draws to tourists. Five percent of all foreign direct investment between 1990 and 2001 was in the tourism sector.

The government actively supports tourism. In 1999, the Ministry of Infrastructure created the Mongolian Tourism Board (www.mongoliatourism.gov.mn) that serves as a promotional organization. Throughout 2004, the government has implemented a promotional theme of "2004- Discover Mongolia Year."

While the heart of Mongolia remains wild and isolated, the capital city of Ulaanbaatar has rapidly developed. 1990 Ulaanbaatar was grim place of shortages and pollution. 2004 Ulaanbaatar is an international capital filled with Buddhist monasteries, an array of restaurants, entertainment venues, hotels, and the occasional horse.

A long, cold winter limits the length of the traditional tourist season. There are also problems related to tourism infrastructure. However, with the impending privatization of the government owned airline, MIAT, a more competitive, service-oriented market may emerge.

C. AGRICULTURAL SECTOR

Background:

Agriculture is the mainstay of Mongolia's 2.8 million people. It contributes about 37 % of gross domestic product. Agricultural and agro-processed exports amount to about one-third of foreign exchange earnings. Agriculture is the source of employment for almost half of the population. It dominates the rural economy. However, the economic reforms of the 90s have impacted agriculture in Mongolia greatly.

Initial privatizations of state farms and livestock cooperatives, the deregulation of prices of major agricultural products, and the liberalization of agricultural trade hit the state-operated, state-owned sector hard. Early privatization was ill-timed, ill-conceived, and ill-executed. From 1991 to 1995, production of some commodities halted or declined to near subsistence levels. By 1996, the sector rebounded. By 2002 most of the state farms were fully privatized under single (individual or company) ownership or limited partnerships of two or three owners. Government wheat-farming cooperatives dominate this crop sector.

The Government recognizes that sustainability in agriculture and rural areas depends largely on modernizing the livestock sector and improving land management. In 2002 The government passed legislation allowing long-term land leasing, strengthening sector institutions, privatizing service delivery wherever possible, and continuing with the privatization process. The government will not sell farm and grazing land. It will allow Mongolian citizens and foreigners to purchase the long-term use rights to these lands. Locals may be given preference.

Food Processing:

Although most of Mongolia's provinces have established private food plants and shops, there is a tendency to import food products from abroad because domestic enterprises produce no food to international standards. Failure to upgrade existing production technology will slow development of the industry. Both the public and private sectors want to improve the operations at food processing plants, develop small and medium enterprises for processing and preserving vegetables and fruits, produce sugar, vegetable oil, and grow some grains domestically to meet the demand.

Livestock production and crop production dominate Mongolian agriculture. Large, mechanized farms in the north central and eastern steppe regions produce mostly wheat. There is also a horticulture sub-sector (potato and vegetables) based on small family plots and some commercial greenhouses.

Ranching and Meat Processing

Mongolia has great markets for its beef and mutton right next door. Much of Russian Siberia lacks good grazing land, so protein production remains a consistent problem. Although China has grazing land, much of that is given over to cereal production; or in the case of Inner Mongolia, cashmere. Mongolia has grasslands and livestock in abundance. Hungry markets north and south are a clear business opportunity for American ranchers and meat processing and marketing technologies.

Although these viable markets exist, several impediments remain. Quotas and restrictive health regulations inhibit the meat trade between Mongolian and her neighbors. For example, Russia limits imports of beef from Mongolia to 20,000 metric tons a year. A quota Mongolia fills quickly. Sources at the various border posts suggest that at least that much (most likely much more) goes across as contraband. Much the same situation prevails at the Mongolian-Chinese border.

Recent activities in the World Trade Organization have increased the incentives for Asian countries to open borders and increase trade. China acceded to the WTO and Russia is not far behind. Both accessions are giving Mongolia the leverage it needs to crack these tempting markets. The Mongolian Government has taken concrete steps to assist in increasing Mongolian meat exports, especially those beyond Siberia.   In addition, USAID has supported the Competitiveness Initiative to provide training in meat processing, project management, and product marketing--with some success.

Existing meat processing plants require technological renovation to increase capacity and upgrade the quality and sanitation to expand their markets. In addition, there is a need for food preservation technology, packaging and marketing techniques, as well as training in more modern butchering and processing techniques.

Regarding these and other opportunities to export American agricultural products and technologies into Mongolia, contact the USDA supported Mongolia-based AGPROMO at agpromo@magicnet.mn.

Wheat

There are opportunities for upgrading the processing of consumer products for domestic consumption and export in wheat products manufacturing (noodles, bakery), small scale flour milling. In addition a growing market exists for herbicides, fertilizers, and high quality wheat seed.

Vegetables

Contrary to popular belief, Mongolians do eat vegetables. Its young market is permeable to new foods. Lettuces, peppers, Washington apples, and California grapes appear in Ulaanbaatar's markets regularly. Two businesses, Mongol Devshil and Orient Green, are profitably producing, wholesaling, and retailing a reasonable range of vegetables. Orient Green has also found that winter imports of greens from China are profitable, too.

Chapter 5: Trade Regulations, Customs, and Standards

Import Tariffs and Customs Regulations

The US Embassy website, www.us-mongolia.com, has detailed information on customs procedures for clearing different kinds of shipments, VAT regulations, etc; or contact the Commercial Assistant at commerce@usembassy.mn.

Tariff Rates

Mongolian Customs assesses and collects tariffs. In addition, it collects a value-added tax (VAT) of 15% on imported items. There is an across-the-board import tariff of 5%.

Trade Barriers

Mongolia has a free trade regime-- no quotas or onerous licensing requirements. While it is illegal to offer or receive bribes in Mongolia, customs is widely considered the most corrupt government institution. Incoming or outgoing shipments are occasionally delayed because of unexpected changes in paperwork requirements. The lack of consistency in how regulations are applied is an obstacle to doing business in Mongolia.

Import Documentation

Mongolian freight forwarders handle documentation. Necessary documents include the contract for import, license for import, cargo manifest, bill of lading, transportation invoice, merchandise customs declaration, declaration of merchandise value, proof of insurance, commercial invoice, payment receipt, packing list, certificate of origin, receipt of payment for related duties and taxes, and inspection certificate from the responsible agency (for specific goods). Customs information on the US Embassy website specifies items requiring special certificates from various government agencies.

Mongolian Trade Restrictions

Mongolia restricts the import and export of certain items. Please consult Customs regulations in detail before importing or exporting these items. These include:

- Uranium and uranium concentrates;
- Poisonous chemicals
- Human blood, organs and blood products
- Firearms and ammunition
- Artifacts and cultural property, including historical, cultural, fossils, archeological and similar items
- Breeding animals, rare species of animals, animal offspring
- Precious metals, precious and semi-precious stones, ore, minerals and rare elements.
- Alcohol

Inspection Standards

Mongolian law provides that all goods included on a published list or subject to inspection pursuant to other laws and regulations must be inspected prior to importation, sale or use in Mongolia. Customs grants permission for the importation of these goods after the importer submits a Standard and Quality Certificate from one or more of the following agencies:

- Border Patrol
- Plant inspection Laboratory
- Human Health and Veterinary Service
- Health and Infection Study Laboratory
- Standards and Quality Agency

Special Provisions

Pre-Clearance Procedures

Goods can be cleared before the arrival of the shipment. Clearance is done based on paperwork accompanying the shipment. An entity or individual interested in goods document pre-clearance should apply to a customs clearing agency. Document pre-clearance is done when the goods have left the exporting country. The head of local customs reviews the request and shall issue an order to the chief inspector to carry out document pre-clearance. Pre-clearance is allowed in the following cases:

- Medical and veterinary supplies
- Different types of items in one shipment
- Goods of seasonal quality (wheat and vegetable seeds needed for planting)
- Fragile goods and/or perishable food that require special storage conditions.

Chapter 6: Investment Climate Statement

A.1 OPENNESS OF GOVERNMENT TO FOREIGN INVESTMENT

In its specific policies, laws, and general attitude, the government of Mongolia supports foreign direct investment (FDI) in all sectors and businesses—at whatever levels investors want. Its industrial and economic strategies do not discriminate actively or passively against foreign investors. Mongolia screens neither investments nor investors, except in terms of the legality of the proposed activity under Mongolian law.

While the Mongolian government writ large supports FDI, individual agencies and elements of the judiciary often use their respective powers to hinder investments into such sectors as meat production or pharmaceuticals. Both domestic and foreign investors report similar abuses of inspections, permits, and licenses by Mongolian regulatory agencies. We find no concerted, systematic, institutional abuse specifically targeted at foreign investment. In the case of the judiciary—corruption aside (see A. 11 Corruption)—most problems arise from ignorance of commercial principles rather than antipathy to foreign investment.

Privatization policies have actually favored foreign investment in key industries, including banking and cashmere production. The bidding processes for privatizations and other tenders have been transparent, and the results widely accepted by all participants. Foreign companies and investors are subject to the same legal regime imposed on Mongolian domestic firms regarding incorporation and corporate activities For example, casinos are illegal under Mongolian law; and so, neither Mongolians nor foreigners may own or operate them (except in one specifically designated free trade zone).

Generally, Mongolian private businesses want foreign participation in all sectors of the economy. They seek foreign partners and equity. That said, some Mongolian businesses use Mongolian institutions to stop competitors, if they can. These activities represent no animus against foreign investment as such; rather, they reflect individual businesses desire to keep competitors, Mongolian or foreign, at bay.

Key Investment Laws

The Foreign Investment Law of Mongolia (FILM) has transformed the anti-business environment of Soviet era into today's investor-friendly regime. Under the old system everything not provided for in law was illegal. Because such economic activities as franchising, leasing, joint venture companies were not mentioned in earlier Mongolian statutes, they were technically illegal. In 1993 the government enacted FILM to legalize all manner of foreign investment in Mongolia (amended in 2002 to allow for representative offices and franchises). This law defines broad ranges of activity that would otherwise have no validity under Mongolian law. It also defines the meaning of foreign investment under the civil code without limiting activities that foreign investors can conduct. The definition is largely for tax incentives, as only foreign investments over

10,000 USD qualify for tax breaks under the law. FILM also establishes registration procedures for foreign companies. It creates a supervisory agency, the Foreign Investment and Foreign Trade Agency (FIFTA), to run the registration process, liaise between businesses and the Mongolian government, and promote in- and out-bound investments. We have found FIFTA a reasonably fair and efficient agency.

A.2 CONVERSION AND TRANSFER POLICIES

Over the last four years, the Mongolian government has employed a limited regulatory regime for controlling foreign exchange for investment remittances. Although lacking sophisticated mechanisms for converting and transferring funds, Mongolia has exceptionally liberal policies for these transactions. Foreign and domestic businesses report no problems converting or transferring investment funds, profits and revenues, loan repayments, lease payments into whatever currency they wish and to wherever they wish. There is no difficulty in obtaining foreign exchange, whether the investor wants RMB, Euros, English Pounds, Rubles, or US Dollars.

The Mongolian government wants funds to flow easily in and out of the nation, with one exception. Foreign-held interest bearing dollar accounts are subject to a 20% withholding tax. The bank retains 20% of all such interest payments sent abroad, and remits this withholding to the Tax Authority of Mongolia. Otherwise, businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers occur within 1-2 business days or at most a single business week.

Ease of transfer aside, foreign investors criticize Mongolia's lack of sophisticated mechanisms for converting currencies and parking money. Letters of credit are difficult to get, and legal parallel markets do not exist in the form of government dollar denominated bonds or other instruments for parking funds in lieu of payment. Many Mongolian financial institutions lack experience with these arrangements. Moreover, Mongolian banking law currently provides no secure statutory grounds for the activity to take place. Banks may hesitate to use instruments that may be technically illegal under Mongolian law. The immediate impact has been to limit access to certain types of foreign capital, as international companies resist parking cash in Mongolian banks or in local debt instruments.

A.3 EXPROPRIATION AND COMPENSATION

Mongolia respects property rights as they apply to all types of asset categories. We detect no changes in policies, statutes, or regulations related to the use and ownership of private property. Foreigners face no legal bias in asset ownership (except that only citizens of Mongolian may own land) or how they structure ownership. Foreign investors need not seek local partners or share ownership of any asset or endeavor as a condition of doing business. However, in the crucial mining sector, with extensive foreign participation, we note governmental actions that might represent “creeping expropriation.”

Security of Ownership

To date, the government has expropriated no property or assets; and so, we have no precedent from which to assess how the system would respond to seizure and compensation. The Mongolian government can claim land or leases in the national interest, as can most governments. Currently, this means little, as most land outside Mongolia’s urban centers remains government property. The government has no plans to privatize these vast countryside holdings, but it leases parcels for such economic activities as mining, pasturage, timbering, etc. This practice remains in flux because the government must still determine how to let these rights and what fees to charge. Except for mining, foreign firms are inactive in these regions.

Since May 2003, land in the urban areas has been privatized to citizens of Mongolia or leased to both citizens and foreigners for periods ranging from 3-99 years. The legislation and implementing regulations are all new, but so far investors believe that the Mongolians have respected recently enacted property rights and leases.

Creeping Expropriation 1: Acts of the Central Government

We closely watch the key mining sector. To date we have received no report of recent expropriations of exploration tenements or mining licenses. However, over the last four years certain official factions within the Mongolian government have unsuccessfully tried to amend the mining law to make seizure of tenements by the government easier. Some amendments to the mining law seem reasonable. The government would like to see tenement holders exploit their holdings, sell their interest to those who will exploit, or return tenements to the state. It rubs some Mongol officials the wrong way that rights holders can speculate without developing a mining asset (even if the rights holders pay required fees for the land under exploration or extraction license). Calling it national interest, these officials demand higher fees, stiffer performance guarantees or even revoke existing rights.

The idea of tenement holders agreeing to performance guarantees or higher fees is nothing new and practiced in other countries. Although domestic and foreign miners grumble about the additional costs, they accept these concepts. However, the mining industry and the USG have resisted the government’s effort to allow officials greater latitude to revoke tenements. Making revocation of use rights easier in mining creates a threatening precedent for other industries, lowering investor security and raising investor risk in all sectors.

Over the last four years, proponents have submitted such amendments to the excellent 1997 Minerals Law of Mongolia. Concerted lobbying activity by this Mission and the foreign and domestic mining industry has defeated it each time. Most encouraging, both the legislative and executive branches of the government have proved willing to give a fair hearing to all participants in this dispute. Currently, the amendments have been shelved, but we remain vigilant.

Creeping Expropriation II: Acts of Provincial Administrations:

With regard to permitting, we note a disturbing trend: Provincial officials blocking access to legally granted mining rights. For example, some provincial government officials abuse their authority to designate land as “special use zones” to usurp mining exploration tenements. In one case, a provincial governor reclassified a piece of property for agricultural use, although the central government had legally granted exploration rights to a miner. The miner could not gain access to the subsurface resources because the provincial government claimed that doing so would damage the potato farm that had suddenly appeared over the site. This case is working its way through the courts.

Other miners harshly criticize the misuse of the local officials’ rights to comment on permits for water use and mining licenses. Comments are advisory, and have no legal force regarding allowing activity, but the central government is loathe to reject a governor’s negative comment no matter the motives behind it. The de facto effect has been to stop progress for months, limiting access to the resource and costing rights holders’ time and money.

Whatever the motives, these provincial actions are a creeping bureaucratic expropriation. The problem is that the law provides no clear limit on these powers or guidance on to apply them. Consequently, the central government interprets the rules and regulations differently from the provincial authorities. The central government acknowledges the ambiguity but has taken no steps to clarify the situation in law or practice. Mongolian and foreign permit holders have advised the government that letting this problem fester raises perceptions of risk and scares away inbound investors.

A.4 DISPUTE SETTLEMENT

The Mongolian government consistently supports transparent and equitable dispute settlements, but executing good intentions has proven problematic. These problems come from ignorance of standard commercial practices rather than from any intent by public or private entities to target foreign investors. The framework of laws and procedures is functional, but many judges who adjudicate disputes remain ignorant of commercial principles.

Problems with Dispute Settlement in Mongolia's Courts

Court structure is straightforward and supports dispute settlement. Disputants know the procedures and the venues. Plaintiffs bring cases at the district court level before a district judge or judges depending on the complexity and importance of the case. The district court renders its verdict. Either party can appeal this decision to the Ulaanbaatar City Court, which rules on matters of fact as well as matters of law. It may uphold the verdict, send it back for reconsideration or nullify the judgment. Disputants may then take the case to the Mongolian National Supreme Court for a final review.

Problems arise for several reasons. First, commercial law in Mongolia and understanding of it are in flux. New laws on contracts, investment, corporate structures, leasing, etc. have been passed or are being considered at both the ministerial and parliamentary levels. Mongolian civil law does not work on precedents but from application of the statute as written. If a law is vague or does not cover a particular commercial activity, the judge's ability to adjudicate can be severely limited or non-existent. For example, leasing does not exist in the Mongolian civil law code as such, but would seem to be covered under various aspects of Mongolian civil law regarding contracts and other agreements. But judgments made under these laws may not apply to an arrangement not otherwise recognized under existing law. Further, because precedents are not legally relevant, decisions reached in one case have no legal force in other suits, even when the circumstances are similar.

Trained in the former Soviet Era, too many judges remain willfully ignorant of commercial principles. They dismiss such concepts as the sanctity of the contract. This is not a problem of the law, which recognizes contracts, but of faulty interpretation. In several cases courts have intentionally misinterpreted provisions regarding leases and loan contracts. Judges regularly ignore terms of a contract in their decisions. If someone defaults on a loan, the courts often order assets returned without requiring the debtor to compensate the creditor for any loss of value. Judges routinely assert that the creditor has recovered the asset, such as it is, and that is enough. Bad faith and loss of value simply do not enter into judicial calculations of what is equitable.

Replacing old-school judges is not an option. It has proved politically impossible—if not functionally impractical—for the Mongolians to dismiss this cadre of Soviet-era judges. There is a realistic hope that young justices, trained in modern commercial principles by

American and German experts, will gradually improve judicial protections for commercial activities in Mongolia. Lately, we have seen better decisions in several cases involving Americans seeking to recover on debts and contractual fees, but these results remain limited to courts where better-educated, younger judges preside.

Bankruptcy and Debt Collection

Mongolia's bankruptcy provisions and procedures for securing the rights of creditors need serious reform. Mongolia currently has no mortgage law, no way to register titles, and no clear method for recovering on any debt. There exists a patchwork of laws that may or may not apply, making lending on local security risky. Banks frequently complain that onerous foreclosure rules are barely workable and unfair to the creditor.

Once a judgment is rendered, the disputant faces a relatively hostile environment to execute the court's decision. For example, consider a bank collecting on a debt in Mongolia. Currently, debtors put forward assets for auction and set the minimum bid price for those assets. If assets do not sell, a second round of auctions occurs in which a reduced minimum bid is put forward. The State Collection Office (SCO) supervises this process but does not set the price; but it will receive 10% of the settlement. Failing to get this set price, the SCO supervises the sale of assets and takes its 10%; however, not of the actual money raised but 10% of the second auction minimum.

There is no current method by which the participants can independently evaluate the value of any collateralized asset. Because it derives income from the forced sale of assets, the SCO itself has a conflict of interest; and, anecdotally, seems to have failed as an impartial arbiter between debtors and creditors. For banks, this has meant that forcing a company into bankruptcy may be the safest way to recover rather than forcing piecemeal sales of assets. This approach automatically puts all assets into play rather than those selected by the debtor. However, it is an onerous procedure without a clear process behind it.

Purchase financing is also tricky. For example, an American car dealer financed an auto for 20,000 USD down and 60,000 USD, secured by a local bank guarantee. The buyer subsequently defaulted on the loan, the bank refused to honor its guarantee, and the dealer took the buyer to court. Under current Mongolian law, once a case is filed, interest payments are suspended for the duration of the case—from first filing to final appeal before the Supreme Court of Mongolia. Possibly months of interest-free time can pass while the asset rusts in an impound lot. In this case, the dealer simply reclaimed the car and dropped the lawsuit, swallowing the lost interest payments and loss in value on the car. Both domestic and foreign businesses have responded by requiring customers to pay in cash, limiting sales and the expansion of the economy.

Binding Arbitration: International and Domestic

The Mongolian government supports and will submit to both binding arbitration and international settlement procedures. However, glitches remain in local execution.

Mongolia ratified the Washington Convention and joined the International Centre for Settlement of Investment Disputes in 1991. It also signed and ratified the New York Convention in 1994.

To our knowledge the government of Mongolia has accepted international arbitration in two disputes where claimants have asserted the government reneged on a sovereign guarantee to indemnify them. In both cases the government has consistently declared that it would honor the arbitrators' judgments. However, this resolution has not been put to the test, as Mongolia won one case and judgment in the second has not been rendered.

More widely, Mongolian businesses partnered with foreign investors accept international arbitration, as do government agencies that contract business with foreign investors, rather than avail themselves of the Arbitration Bureau operated by the Mongolian National Chamber of Commerce and Industry. They seek redress abroad because they perceive that domestic arbitrators are too politicized and self-interested to render a fair decision.

Although arbitration is widely accepted among business people and elements of the government, support for binding international arbitration has not penetrated local Mongolian agencies responsible for executing judgments. In the two cases, the Mongolian-state-owned copper mine lost two international arbitral cases. The awards were certified and recognized as valid and enforceable by Mongolian courts. But the local bailiff's office has consistently failed to execute the collection orders.

A.5 PERFORMANCE REQUIREMENTS AND INCENTIVES

Mongolia imposes few performance requirements on, and offers few incentives to, investors. The few requirements imposed are not onerous and do not limit foreign participation in any sector of the economy. Performance requirements are applied somewhat differently to foreign investors in a limited number of sectors. Incentives in the form of tax holidays are mostly reserved for foreign investors; however, some customs tax and value added tax reductions are allowed for all businesses engaged in certain sectors identified by Parliament and the ministries.

Few Restrictions on Foreign Investment

The government applies the same geographical restrictions on both foreign and domestic investors. Existing restrictions involve border security, environmental concerns, or local use rights. There are no onerous or discriminatory visas, residence, or work permit requirements. Foreign investors need not use local goods and services, local equity, or engage in substitution of imports. Neither foreign nor domestic businesses need purchase from local sources or export a certain percentage of output, or have access to foreign exchange in relation to their exports.

Foreign investors set their own export targets without concern for government imposed targets or requirements. There is no requirement to transfer technology. As a matter of law, the government imposes no offset requirements for major procurements. Certain tenders may require bidders to agree to levels of local employment or to fund certain facilities as a condition of the tender, but as matter of course such conditions are not the normal approach of the government in its tendering and procurement policies.

All investors may finance as they see fit. Foreign investors need sell no shares to Mongolian nationals, unless they so choose. Equity stakes are at the complete discretion of investors, Mongolian or foreign. Investors, not the Mongolian government, make arrangements regarding technology, intellectual property, etc.

Regarding employment, investors can locate and hire workers without using hiring agencies—as long as hiring practices are consistent with Mongolian Labor Law. However, Mongolian law requires companies to employ Mongolian workers in certain labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas where a high degree of technical expertise not existing in Mongolia is required. The law does provide an escape hatch for all employers. Should an employer seek to hire a non-Mongolian laborer and cannot obtain a waiver from the Ministry of Labor for that employee, the employer can pay a fee of around $65.00 USD per employee per month. The Ministry of Labor seems quite eager to issue work permits for cash payments.

Limited Performance Requirements

Performance requirements are sparingly imposed on investors in Mongolia. The Mineral Resources and Petroleum Authority of Mongolia (MPPAM) issues exploration blocks to firms, which then agree to conduct exploration activities. The size and scope of these activities are agreed upon between MPPAM and the business in writing and are binding. If the firm fails to fulfill exploration commitments, it must pay a penalty to MPPAM based on the amount of hectares in the exploration block, or give back the block to MPPAM. These procedures apply to all investors in the petroleum and natural gas exploration business.

All businesses holding mining exploration tenements or extraction licenses need neither explore nor mine so long as they pay fees associated with their holdings and provide annual reports of their activities to the government of Mongolia.

All foreign investors must register with, and pay a yearly fee of 700.00 USD, and provide an annual report on their activities for the coming year to the government through the Foreign Investment and Foreign Trade Agency of Mongolia (FIFTA). Businesses need not fulfill plans set out in this report, but failure to report may result in non-issuance of licenses and registrations and suspension of activities. This requirement differs from that imposed on domestic investors and businesses. Mongolians pay lower registration fees, which vary too much to say with any precision what the fees actually are; nor do locals have a yearly reporting requirement.

FIFTA explains that the higher registration costs for foreign investors arise from the need to compensate for the services it provides to foreign investors, including assistance of registrations, liaison services, trouble-shooting, etc. The different reporting requirements provide the government with a clearer picture of foreign investment in Mongolia. Foreign investors are generally aware of FIFTA's arguments and largely accept them, with two exceptions. They question the need for annual registrations. Investors recommend that FIFTA simply charge an annual fee rather than require businesses to submit a new application each year.

Regarding reports, foreign businesses are concerned about the security of their proprietary information. Several foreign investors have claimed that agents of FIFTA routinely use or sell information on business plans and financial data. We have yet to verify these claims, but FIFTA acknowledges that data security largely depends on the honesty of its staff, as there is little internal control over access to the annual reports.

Incentives

Foreign investors under the Foreign Investment Law of Mongolia and the Tax Law of Mongolia are entitled to a sliding scale of tax holidays. The exemption increases in the amount and duration as the investment increases. For larger projects seeking a more comprehensive tax treatment and more extensive package of incentives, foreign investors have two routes. They may utilize an off-the-shelf stability agreement that locks in current tax and fee structures, as they existed at the time the agreement was signed and approved by the Ministry of Finance. This relatively new arrangement has not given rise to any disputes, and we have no reason to think that the Mongolian government would not honor it.

The second approach is to negotiate a customized agreement directly with the government. Such a stability agreement locks in current tax rates and fees as well the entire range of regulations, statutes, and rules that existed when the agreement was signed and approved by the Parliament of Mongolia. The full range of labor, environmental, tax, and any other laws and rules are frozen as matter of statute by the establishment of such an accord. The parties agree between themselves on the widest array of incentives, laws, practices; Parliament approves it; and the agreement becomes a unique statute unto itself.

The government of Mongolia only undertakes such ad hoc agreements for investments of the highest magnitude and value. To our knowledge Mongolia has negotiated only one such agreement, with an American petroleum exploration firm. This firm has been satisfied with the outcome of its arrangements. Currently, we know of one other potential agreement for a multi-billion dollar investment in the mining sector under negotiation.

The Mongolian government, through an act of Parliament, also grants exemption from customs duties and the value-added-tax for all businesses and entities engaged in the following activities:

LIST OF PRIORITY SECTORS FOR FOREIGN INVESTMENT

Sector, Sub-sector	Chapter, Sub-Chapter	Sector
A.01		**Agriculture**
	0111	Cultivation of crops, fruits, sugar canes, oil and animal fodder plants
	0121	Intensive animal husbandry (diary, meat production, chicken farming)
C.10		**Coal Exploration**
	1010	Exploration of all types of coal through open-cut and underground mining methods, crushing, grading and a quality improvement. Production of briquette fuel
	1020	Exploration of brown coal and a fuel of coal type, production of briquette fuel
	1030	Exploration of shale and peat
C.11		**Exploration of Oil and Gas**
	1110	Exploration, strengthening, processing of oil, mineral resources containing oil and exploration of gas
	1120	Services for drilling and equipping oil and gas pits, erecting and maintaining towers

C.12		**Exploration of Uranium and Thorium Ore**
	1200	Exploration of uranium and thorium ores and ores containing radio-active components
C.13		**Exploration of Iron Ore**
	1310	Exploration, concentration, conditioning (heating, breaking into pieces, floatation, sorting and cleaning) of iron ore and minerals containing iron
	1320	Exploration of copper, zinc, tin, tungsten, molybdenum, gold, silver, rare metals (zircon, tantalum, nyoby etc.), rare earth and strontium
C.14		**Exploration of Other Mineral Resources**
	1421	Exploration of chemical and fertilizer minerals, minerals containing nitrogen, phosphorus and sulpher, fluor spar and other minerals which can become chemical raw materials such as soil colorants
	1429	Other exploration works Exploration of minerals such as asbestos, fossil organics, magnetite, argillite, quartz, mica, fiber-glass
		Processing Industry
D.15		**Food Production**
	1511	Production and storage of meat and meat products, processing technologies for meat storage, drying, smoking, salting and tinning
	1514	Production of vegetable and animal originated oils
D.15		Production of Flour and Animal Fodders
	1533	Production of mixed and tossed fodder
D.15		Other Food Production
	1542	Production of cane and turnip sugar
D.17		**Knitting Industry**
	1711	Spinning, knitting, dying, decorating of woolen and paper thread of animal and plant origin
	1712	Final processing of knitted cloth
	1729	Production of knitted goods for tagging, belting and hygiene purposes
D.18		**Fur Processing**
	1820	Final processing of fur and sheep skin tannery

D.19		**Leather Processing**
	1911	Leather processing
	1912	Production of leather goods
	1920	Production of all types of shoes, including male, female and children's shoes
D.20		**Timber Production**
	2021	Production of boards
D.23		**Cocking, Liquid and Radio Active Fuel**
	2310	Production of cock, tar and other by-products out of coal
	2320	Fuel production Production of liquid and gas fuel out of shale and oil
D.24		**Production of Chemical Products**
	2411	Production of industrial chemicals, such as gas, acetylene, oxide, alkali, paints and substances for processing skin
	2412	Production of nitrogen, phosphorus and potassium fertilizers and substances containing them
D.26		**Goods Made of Non-Metal Minerals**
	2692	Non-flammable ceramics Production of non –flammable bricks, transportation boards and pipes
	2694	Production of cement, lime and
D.27		**Metallurgic Industry**
	2710	Production of conditioned iron ore, primary cast-iron and steel (reinforcement steel, rails, pipes, wires etc.) using scrape metal
	2720	Refining and melting precious and non-ferrous metal, gold, silver, production of non-ferrous metal through segregation by electrical and other chemical methods, production of copper, lead, aluminum, zinc, molybdenum, tungsten, nyoby, tantalum, zircon, rare earth and strontium
D.37		**Processing of a Secondary Raw Material**
	3720	Processing of a secondary raw material except scrape metal
		Infrastructure Sector

E.40		**Production of Electricity and Steam and Water Supply**
	4010	Electricity production, transmission, distribution activities (hydropower station, transmission facilities, thermo and diesel stations)
	4030	Production of steam, hot water supply (heat distribution facilities)
E.41		**Water Treatment, Water Supply**
	4100	***Collection, treatment and distribution of a water for household and industrial use***
F.45		**Construction Industry**
	4520	***Construction of engineered buildings and structures***
	4530	***Installation, placement and maintenance of lifts and security alarm devices***
	Special	***Construction of a "Millennium Road" (equipment leasing)***
	Special	***Construction of oil and gas pipelines***

To qualify for these exemptions businesses must prove that the imports are used in the specified sectors and not diverted to non-allowed uses. There is a perception among investors that the Mongolian government unfairly targets for enforcement foreign investors who use the exemptions, while domestic businesses are not targeted. We have not been able to verify such claims.

The Mongolian government also provides credit in the form of zero interest loans and no-fee use of government buildings to businesses engaged in wholesale trade in the countryside. These arrangements are granted by tender and are not limited to domestic businesses; however, to our knowledge no foreign investor has entered this field.

Tariffs

Mongolia has one of Asia's least restrictive tariff regimes. Its export and import policies do not harm or inhibit foreign investment. Low by world standards, tariffs of 5% on most products are applied across the board to all firms. However, some non-tariff barriers, such as phytosanitary regulations, exist that limit both foreign and domestic competition in the fields of pharmaceutical imports and food imports and exports. The testing requirements for drugs are extremely unclear and onerous. When companies attempt to clarify what the rules for importing food or drugs into the country are, they receive conflicting information from multiple agencies. Our sense of the matter is that existing pharmaceutical and food import and export interests are abusing the current rules and regulations to limit all competition and investment.

WTO TRIMS Requirements

Mongolia employs no measures inconsistent with WTO TRIMs requirements, nor has anyone alleged that any such violation has occurred.

A.6 RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

Mongolia has one of Asia's most liberal ownership and establishment regimes. Unless otherwise forbidden by law, foreign and domestic businesses may establish and engage in any form of remunerative activity. All businesses can startup, buy, sell, merge; in short, do whatever they wish with their assets and firms.

Diminishing Competition from the State-Owned Sector

Mongolia has passed and is implementing a competition statute that applies to all business entities active in Mongolia—foreign, domestic, and state-owned. As a practical matter, competition between state-owned and private businesses has been declining for the simple reason that most parastatels have been privatized—with the exception of the state-owned power and telecom industries, cashmere production, aviation, the national rail system, and a large copper mine. These remaining companies are set for privatization in the next 2-3 years.

Currently, only one private firm is active in the power generation and none in the railway sector. Few want to enter the power generation field until the regulatory and statutory framework for private power generation firms up. Mongolia has no plans to privatize its railroads. The state-owned cashmere producer does not seem to be impacting private producers negatively, and will be privatized in early 2005. With the exception of the domestic aviation and the telecom parastatel, the public sector is a limited and shrinking competitor with the private sector.

Issues in the Telecom and Aviation Sectors

We note that state-owned telecom has actively used its regulatory and technical clout to attack its competition. As the monopoly supplier of land-based lines through which most internet access is obtained, Mongol Telecom (MT) charges predatory rates for access to all other Internet Service Providers (ISPs) at a rate 10 times the access charges assessed to the state-owned ISP. These per-minute charges add up and are hard for competitor ISP's to absorb. In addition, the state, in an effort to make Mongol Telecom more attractive for privatization, is inclined to make MT the sole portal for all telecommunication into Mongolia. The intent here is to require licenses for both telecommunication services and technology, which only MT could satisfy. There has been significant lobbying against this policy by ISPs, voice-over IP providers, cellular rights holders, multi-lateral organizations, and diplomatic missions as contrary to Mongolia's own competition law and long-term interests. So far these efforts have delayed the passage of any damaging legislation.

The state also interferes in the domestic aviation arena. Mongolia has two domestic service providers, the state-owned MIAT and the privately owned Aero Mongolia. Government regulation sets maximum ticket prices that airlines may charge for all domestic routes. These prices are well below operating costs. MIAT is heavily subsidized, primarily through its foreign routes. Investment in domestic service, into which the US might sell aviation products and services, has been limited. Investors, both Mongolian and foreign tell us that until the state gets out of the local aviation business, they will not be able to invest.

A.7 PROTECTION OF PROPERTY RIGHTS

The right to own private movable and real property is recognized under the law of Mongolia. Regardless of citizenship (except for land which only citizens of Mongolia can own), owners can do as they wish with their property. One can collateralize real and movable property. Should a debtor default on such secured loans, the creditor does have recourse under Mongolian law to recover the debt by seizing and disposing of property offered as security.

Mongolia's Current Regime to Protect Creditors

The current protection regime is functional but needs reform. The legal system presents the greatest pitfalls. Although the courts recognize property rights in concept, they have a checkered record of protecting and facilitating acquisition and disposition in practice. Part of the problem is ignorance of, and inexperience with, standard practices regarding land, leases, buildings, and mortgages. As noted in A.4 Dispute Settlement, some Soviet-trained judges, largely out of ignorance of the concepts, have simply refused to recognize these practices. New judges are making a good faith effort to uphold property rights, and need time to learn how to adjudicate such cases.

Currently, legal uncertainties make mortgage lending in Mongolia risky. Mongolia has yet to pass a law on mortgages; a mortgage law is under review by the relevant ministries and parliament for consideration in 2005. As noted in A.1 Openness to Foreign Investment, the legal system is based on that of the former Soviet Union and is "Continental" or "civil" in nature: courts tend to recognize only that which is specified or enacted in the law. As a consequence, while possible to make secured loans, it is currently not possible to make mortgages. The judges have no statutory guidance upon which to base their rulings. This opens an avenue for appeals based on the technical illegality of a decision enforcing the rights of a creditor or protecting the rights of debtor. Judges not wanting to be called to account for making faulty rulings make vague decisions, using provisions that do not exactly fit the particular aspects of mortgages. At the end of the day, we find the courts basically making equitable judgments but in a very roundabout way.

Debt Collection Procedures

Mongolian debt collection procedures require reform. Getting a ruling is relatively easy; collecting on a judgment is hard. The problem is not the law, but enforcement and execution. Mechanisms for enforcing a judgment are simple. The judge orders the state collection office to move on the assets of the debtor. The state collection office orders district bailiffs to seize and to turn those assets over to the state, which then distributes them to creditors. However, foreign and domestic investors claim that the state collection office and the district bailiffs frequently fail in their responsibilities to both the courts and the creditors.

In some cases, bailiffs refuse to enforce the court orders (see the Erdenet case mentioned in A.4). The perception is that they do so because they have been bribed or otherwise suborned. Bailiffs are often local agents who fear local retribution against them and their interests if they collect in their localities. In some cases, bailiffs will not collect unless the creditor provides bodyguards during seizure of assets. Creditors also have reason to believe that the state collection office accepts payments from debtors to delay seizure of assets.

Protection of Intellectual Property Rights

Mongolia supports intellectual property rights in general and has protected American rights in particular. It has joined the World Intellectual Property Organization (WIPO); signed and ratified most treaties and conventions, including the WTO TRIPS agreement. The WIPO Internet treaties are un-ratified. However, even if a convention is un-ratified, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM), make a good faith effort to honor these agreements.

Under TRIPS and Mongolian law, the Mongolian Customs Authority (MCA) and the Economic Crimes Unit of the National Police (ECU) also have an obligation to protect IPR. MCA can seize shipments at the border. The ECU has the exclusive power to conduct criminal investigations and bring criminal charges against IPR pirates. The IPOM has the administrative authority to investigate and seize fakes without court order. Of these three, only the IPOM makes a good faith effort to fulfill its mandates.

Part of the problem is ignorance of the importance of intellectual property to Mongolia and of the obligations imposed by TRIPS on member states. Customs has been particularly hesitant to seize shipments, saying that their statutory mandate does not allow seizure of such goods. Technically they are correct, but they have seized fake products when it suits them. Mongolian customs law will have to change to bring it into line with TRIPS before Customs will actively fulfill its obligations. The ECU has also been lax. The ECU hesitates to investigate and prosecute IPR cases, deferring to the IPOM as the lead agency. Anecdotal evidence suggests that ECU officials fear political repercussions from going after IPR pirates, many of whom enjoy political protection.

The IPOM has an excellent record of protecting American trademarks, copyrights, and patents. However, its small budget limits the scope of its actions. In most cases, when the U.S. Embassy in Ulaanbaatar conveys a complaint from a rights holder to the IPOM, the IPOM quickly investigates the complaint. If it judges that an abuse occurred, it will (and has in every case we have brought before it) seize the pirated products or remove faked trademarks, under administrative powers granted in Mongolian law.

We note two areas where enforcement lags. Legitimate software products are rare in Mongolia. Average low per capita incomes have given rise to a thriving local market for cheap, pirated software. The IPOM estimates pirated software constitutes 95% of the market. The Office allows the abuse because the scale of the problem dwarfs its capacity to deal with it. However, the IPOM will act if we bring cases to their attention.

Pirated optical media are also readily available and subject to spotty enforcement. Mongolians produce no fake CD's, videos, and DVD's, but import such products from China. Product is sold through numerous local outlets and sometimes broadcast on private local TV stations. The IPOM hesitates to move on TV stations, most of who are connected to and protected by major government or political figures. Nor does the IPOM raid local ("street") DVD and CD outlets run by poor urban youth; IPOM argues that such action would not halt sales and only alienate the public. Again, when an American raises a specific complaint, the IPOM acts on the complaint, but IPOM rarely initiates action on its own.

A.8 TRANSPARENCY OF THE LEGISLATIVE AND REGULATORY PROCESS

Generally, Mongolia's problem is not lack of laws and regulations—Mongolia has passed over 1,500 laws since undertaking its transition to a market economy 12 years ago—but a lack of knowledge on the part of the lawmakers on what is needed and an unwillingness to consult with affected communities. Corruption aside, the fact that laws and regulations change without much consultation creates a chaotic situation for all parties. Many laws and regulations, as well as behavior, still require amendment and adjustment; but, overall, the trend is positive. We have seen definite improvement in the mining sector and in the foreign investment statutes.

Problems with the Drafting Process for Legislation and Regulations

The normal procedure for drafting laws and regulations is as follows. A Member of Parliament or the Cabinet of Ministers requests legislative action. These organizations then send this request to the relevant ministry. The minister relays the request to the proper agency, which forms a working group. The working group prepares the bill, submits it for ministerial review, makes any recommended changes, and then the bill is reviewed by the full Cabinet of Ministers. This body recommends changes or passes the bill on to Parliament. In Parliament, the bill is reviewed by the relevant standing committee, sent back for changes or sent on to the full Parliament for a vote. The President can veto bills, but his veto can be over-ruled by a two-thirds (2/3) vote of Parliament.

For regulations, the process is truncated. The relevant minister assigns the task of writing the regulations to the working group that wrote the original law. This group submits their work to the minister who approves or recommends changes.

Absent from these drafting processes is a statutory, systematic, transparent review of legislation or regulations by stakeholders and the public. Ministerial initiatives are not publicized until the draft has passed out of a given ministry to the full Cabinet. Typically, the full Cabinet discusses and passes bills on to Parliament, without public input or consultations. Parliament itself does not issue a formal calendar and does not announce or routinely open its standing committee or full chamber hearings to the public. While Parliament at the beginning of each session announces a list of bills to be considered during the session, this is very general and seldom accurate. New legislation is often introduced, discussed and passed without public announcement or consideration. It is possible for a bill or regulation to be drafted and passed without any public or stakeholder input.

The U.S. Embassy in Ulaanbaatar and members of the North America-Mongolia Business Council (NAMBC) have repeatedly urged the Mongolian government to utilize the government's *Open Government* web site to post draft and pending legislation for public consultation and review before it is finalized and sent to Parliament. Over the past year, we have noticed some improvement in the timeliness and completeness of the postings.

To supplement this effort, the U.S. Embassy and local business organizations have jointly created an informal system to identify legislation and regulations under review. Once identified, we meet with working groups, provide information on how other nations have handled such legislation, share stakeholders' points of view, and widely distribute draft bills, preferably before they reach a minister's desk. Should a piece of vital legislation pass on to the Minister, Cabinet, or Parliament, these organizations are prepared to lobby at the appropriate level. Over the last three years we have found that many agencies and Members of Parliament welcome our advice and information, particularly if given in a non-confrontational way.

Regulators also resist consultation when it comes to implementation. Soviet-trained bureaucrats are only slowly becoming comfortable with the concepts and practices of broad, public consultation and information sharing with their own citizens, let alone foreigners. Many times businesses ask for a clear copy of the current regulations, only to be met with blank stares or outright refusals. The government has acknowledged that the Soviet-era State Secrets Law requires substantial amendment. Currently, most government documents—including administrative regulations affecting investments and business activities—are technically classified and cannot be released to the public. This gives both bureaucrats and regulators a convenient excuse to deny requests for information or, more commonly, to demand extra-legal fees to provide documents. The legacy of secrecy has also resulted in cases where government officials themselves cannot get up-to-date copies of the rules.

High officials acknowledge the value of and need for a more open, transparent system. While laws are easy to fix, the behavior of individual bureaucrats, members of parliament, and the judiciary will only gradually change, with training and experience. Already a younger generation of professionals, many trained abroad, is beginning to take hold and to move into senior positions of authority. This bodes well for Mongolia's continuing transition to a private sector-led, open, market economy underpinned by good government and corporate governance.

Reforming the Tax Law

Although the process of making and executing law are key problems, we note a particularly troublesome area that all foreign and domestic investors identify as a must solve: The Tax Law of Mongolia (TLM). First, the law is not consistent with best practices in either Europe or North America. Key complaints from American and western investors center on the deductibility of legitimate expenses and depreciation. This failure to adopt best practices raises the effective tax rate on business activities in Mongolia, making Mongolia less competitive than other business venues. Second, the law, vague on concepts of income and taxation, lets the auditors determine what is and is not taxable. Nor does the law specify how precedents or practices of tax collection are to be set. Consequently, audits become opened ended: One auditor's assessments may be disallowed by another's months or even years later.

The government, consulting with the U.S. Embassy, American technical advisors, and the business community has begun to overhaul the TLM. We look for results in late 2005.

A.9 CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Mongolia currently lacks experience and expertise to sustain portfolio investments. It has no regulatory apparatus for these activities, and neither the state nor private entities engage in them. However, Mongolia has active capital markets. The Mongolian government imposes few restraints on the flow of capital in any of its markets. Multilateral institutions, particularly the IMF, find the regime too loose, particularly in the crucial banking sector. Although the government has clear rules about capital reserve requirements, the Mongol Bank, Mongolia's central bank, seems loathe to restrain credit flows at many of its banks. That said, most foreign businesses approve of the ease with which they can access financial resources.

Capital and Equity Markets

Although liquidity is quite high in Mongolia, capital is scarce. Local credit for the best customers hovers near 18 % per year; for the rest, 30 % or higher. Foreign investors can easily tap into the domestic capital markets. However, they seldom do so because they can do better abroad or better locally by simply taking on an equity investor, Mongol or otherwise.

Mongolia's stock market is moribund. Investors do not use stocks to raise equity for investment but to gain control of companies listed on the exchange. As most of the firms have been bought up, the market sees little trading.

Mongolian firms do not use shareholding relationships to restrict foreign investment at this point. Part of this arises from lack of experience with such devices. It also arises from the fact that Mongolians prefer to concentrate ownership in their own hands, rather than disperse it through complicated shareholding relationships. They perceive such devices as weakening their ability to control the companies, which is more important than safeguarding the firm from foreign or domestic raiders. If a foreign company wanted to purchase a Mongolian firm, the foreign entity would have to contact the shareholders and buy them out. These could not be hostile takeovers, because few outstanding shares remain on the market to buy. Eager to take on equity partners or sell businesses entirely, the Mongolians would employ few defenses beyond sharp negotiating.

The Banking Sector

Weakness in Mongolia's banking sector concerns all players. Small by American standards, the total assets of the four top banks add up to about 600 million USD. The system has been through massive changes since the Soviet era, during which the banking system was divided into several different units. This early system failed through mismanagement and commercial naivety in the mid-90s, but over the last seven years it has become more sophisticated and better run.

Mongolia has three generally well-regarded banks owned by American/Swiss, Japanese, and Mongolian interests respectively. They follow prudent capital reserve requirements, have conservative lending policies, up-to-date banking technology, and are generally well managed. If a storm should descend on Mongolia's banking sector, these three banks should weather it.

However, concerns remain among these bankers about the effectiveness of the legal and regulatory environment. As with many issues in Mongolia, the problem is not of lack of laws or procedures but the will of the regulator, Mongol Bank, to execute mandated functions, particularly in regard to capital reserve requirements and non-performing loans.

Since 1999, no Mongolian bank has been closed for insolvency or malpractice. Industry observers think that that Mongol Bank will not shut any bank, fearing that closure sends a signal of weakness to the general public. Instead, the central bank has doubled capital reserve requirements. The first increase occurred in April 2002 from 2 to 4 billion Mongolian National Tugriks (MNT) or approximately 3.3 million USD. The second is set in 2006 from 4 to 8 billion MNT or 6.6 million USD. Mongol Bank recently told the banking industry that it has no plans to raise the reserve requirements beyond 8 billion MNT.

Industry watchers expected several banks to close or merge during the first round, but not one of the 17 banks shut its doors. The Central Bank did not examine the nature of the reserves; it only checked to see that the money designated as reserves was present during the April evaluation phase.

The non-performing loan (NPL) rate is equally troubling. No accurate figures exist. American and foreign bankers believe that central bank methods for tracking NPLs seriously understate the rate. They perceive that several banks are insolvent or nearly so.

Another concern about Mongolia's capital markets is that large credit flows lay beyond regulatory control. Although banks are technically subject to regulatory restraint, an industry of unregulated non-bank-lending institutions (NBFI) has sprung up. NBFIs cannot engage in the full range of activities banks engage in, but also are not subject to the same reporting and reserve requirements as banks. These organizations act like "financial cooperatives," taking deposits on interest from members and lending it. Bankers tell us that the NBFIs in Mongolia may be as large as the legitimate banking sector (1 billion USD in assets). To attract deposits NBFIs pay higher interest rates than banks (returns of 30% per annum are not uncommon). NBFIs also obtain funds from legitimate banks at 30% + per month and loan this money out at rates exceeding 60% + per month. Most of these loans are to finance short-term trade deals. Money that ends up with NBFIs is not secured, meaning that Mongolia's full-service banks may have an immense exposure. It remains unclear what impact a NBFI meltdown would have on the wider capital market in Mongolia.

A.10 POLITICAL VIOLENCE

Mongolia is peaceful and stable. Mongolia has an ethnically homogenous population; 97% of the population is Khalkh Mongol. The major minority –90,000 estimated – is Kazakh (Muslim), concentrated in the far western part of the country. Over the past decade, we record no incidents of anti-American sentiment or politically motivated damage to American projects or installations. Political violence is rare. Mongolia has held eight presidential and parliamentary elections in the past 12 years, during which power changed political hands peacefully. The 1998 assassination of the founder of the democratic movement (and then minister) Zorigt remains under investigation.

A. 11 CORRUPTION

Foreign investors, the international donor community and many Mongolians believe corruption is a significant and growing problem in Mongolia. The USG's first-hand experience with public sector corruption has included Cabinet-level officials directing donor funds to their personal property, refusing to account for donor funds, providing donor sub-contracts to close friends and relatives, and interfering with the court system when prosecution of such acts is initiated.

The U.S. Government has raised with the Mongolian Government its concerns about the corrosive impact of corruption on economic growth, good governance and public confidence in Mongolia's political leadership. Together with other international donors, and with the North America-Mongolia Business Council, we have formally requested that Mongolia sign and ratify the UN Convention Against Corruption. The current Mongolian government has agreed to consider signing and ratifying this Convention in 2005 and to amend its laws to bring them into compliance with the provisions of the Convention. Draft anti-corruption legislation is under consideration by Parliament. The UNDP as well as the U.S. Departments of State and Justice are providing technical assistance and advice to this process.

In September 2004, the reputable international anti-corruption non-governmental organization, Transparency International (TI), included Mongolia (for the first time since 1999) in its annual "Perceptions of Corruption" survey. Mongolia ranked 85 out of 145 countries and its score (3 out of 10, where 10 is the "best") is "poor." (For more information, see: www.transparency.org.) UNDP surveys of Mongolia, conducted in 1999 and again in 2002-3, also indicate a growing and serious entrenchment of bureaucratic and political corruption in Mongolia. Transparency International opened a national chapter in Mongolia in 2004. U.S. technical advisors are working with TI to train Mongolian staff to monitor corruption and to advocate on behalf of anti-corruption legislation and enforcement.

B. BILATERAL INVESTMENT AGREEMENTS

1. Australia

- Agreement on promotion and reciprocal protection of investment
- Agreement on avoidance from double taxation

2. **Austria**

- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 2003

3. **Belgium**

- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 1995
- Agreement on the reciprocal promotion and protection of investments, 2003

4. **Bulgaria**

- Agreement on the reciprocal promotion and protection of investments in 2000
- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 2001

5. **Canada**

- Trade and Commercial Agreement between the Governments of Mongolia and Canada, 1994
- Intergovernmental Agreement on double taxation avoidance between Mongolia and Canada, 2002

6. **China**

- The Agreement on Mutual Protection and Encouragement of Investment, 1991
- The Agreement on Avoidance of Double Taxation, 1991

7. **Cuba**

- Agreement on investment promotion and protection
- Agreement on trade

8. **Egypt**

- Agreement on the reciprocal promotion and protection of investments
- Agreement on economic and technical cooperation

9. **France**

- Agreement on the reciprocal promotion and protection of investments 1991
- Convention for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion, 1996

10. **Germany**

- Agreement on the reciprocal promotion and protection of investments, 1993

- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 1994

11. **Italy**
- Agreement on the reciprocal promotion and protection of investments, 1993
- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 2003

12. **Japan**
- Agreement on investment promotion and protection
- Agreement on trade

13. **Laos**
- Agreement on promotion and reciprocal protection of investment

14. **Philippines**
- Agreement on promotion and reciprocal protection of investment

15. **Singapore**
- Agreement on the reciprocal promotion and protection of investments
- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion

16. **Switzerland**
- Agreement on the reciprocal promotion and protection of investments, 1997
- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 1999

17. **United Kingdom**
- Agreement on the reciprocal promotion and protection of investments, 1991
- Convention for the avoidance of double taxation with respect to taxes on income and prevention of fiscal evasion, 1996

18. **United States of America**
- Agreement on the reciprocal promotion and protection of investments, 1991
- Trade and Investment Framework Agreement, 2004

19. **Vietnam**
- Agreement on trade
- Agreement on promotion and reciprocal protection of investment
- Agreement on avoidance from double taxation

Taxation issues of Concern to American Investors

Although the process of making and executing laws is a key problem, we note a particularly troublesome area that all foreign and domestic investors identify as a must solve: The Tax Law of Mongolia (TLM). First, the law is not consistent with best practices in either Europe or North America. American and western investors consistently site the inability to deduct legitimate expenses and depreciate assets as the key complaint against Mongolia’s tax regime. This failure to adopt best practices raises the effective tax rate on business activities in Mongolia, making Mongolia less competitive than other business venues. Second, the law, vague on concepts of income and taxation, lets the auditors determine what is and is not taxable. Nor does the law specify how precedents or practices of tax collection are to be set. Consequently, audits become opened ended: an auditor’s assessments may be disallowed by another’s months or even years later.

C. OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

Recently OPIC has become more active in Mongolia. OPIC has issued and plans to issue direct loans to American firms providing a variety of services in Mongolia. Loans and political risk insurance to American investors involved the banking, tourism, mining, and equipment sectors are in process. Because the amounts required are relatively small, OPIC seems willing to make direct loans rather than provide loan insurance to projects.

Mongolia is a member of the Multilateral Investment Guarantee Agency (MIGA).

D. LABOR

The Mongolian labor pool is well educated, relatively young, and adaptable. Shortages exist in most professional categories requiring advanced degrees or training. Unskilled labor is available in sufficient amounts.

Shortages exist in both vocational and professional categories because any Mongolian who obtains such skills almost invariably goes abroad to find higher wages. Why stay in Mongolia if one cannot recover the outlay on the training from any Mongolian-based job. Foreign invested companies are dealing with this situation by providing in-country training to their staffs or hiring expatriate workers to perform functions not available locally. There remains a deficit of trained skilled labor, which only time and investment will remedy.

Mongolian labor law is not particularly restrictive. Investors can locate and hire workers without using hiring agencies—as long as hiring practices are consistent with Mongolian Labor Law. However, Mongolian law requires companies to employ Mongolian workers in certain labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas where a high degree of technical expertise nonexistent in Mongolia is required. The law does provide an escape hatch for all employers. Should an employer seek to hire a non-Mongolian laborer and cannot obtain a waiver from the Ministry of Labor for that employee, the employer can pay a fee of around $60.00 USD per employee per month. The Ministry of Labor seems quite eager to issue work permits in lieu of cash payments, as no one has reported that the Ministry denying any request.

Although foreign and domestic investors express a number of discontents with local labor rules and laws, they consistently argue that they bear too much of the social security costs for each domestic hire. Businesses must provide a social security tax amounting to nearly 29% of the annual wage. This tax charge makes Mongolian unskilled labor more expensive than imported labor from China, even when factoring in the $60.00 USD per monthly fee. Those active in the animal products and apparel industries that absorb much of this labor capacity note that a fairer distribution of this tax would make them more competitive; and they might be inclined to hire more domestic labor.

The Mongolian government has ratified 14 ILO conventions, of which 13 remain in force:

C.87 Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)

C.98 Right to Organise and Collective Bargaining Convention, 1949 (No. 98)

C.100 Equal Remuneration Convention, 1951 (No. 100)

C.103 Maternity Protection Convention (Revised), 1952 (No. 103)

C.111 Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

C.122 Employment Policy Convention, 1964 (No. 122)

C.123 Minimum Age (Underground Work) Convention, 1965 (No. 123) *Minimum age specified: 18 years*

C.135 Workers' Representatives Convention, 1971 (No. 135)

C.138 Minimum Age Convention, 1973 (No. 138) *Minimum age specified: 15 years*

C.144 Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144)

C.155 Occupational Safety and Health Convention, 1981 (No. 155)

C.159 Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159)

C.182 Worst Forms of Child Labour Convention, 1999 (No. 182)

E. FOREIGN TRADE ZONES/FREE PORTS

The Mongolian government has only recently launched its free trade zones (FTZ). Both are located along the Mongolia spur of the trans-Siberian highway: one in the north at the Russo-Mongol border town of Altanbulag and the other in the south at the Sino-Mongol border at the town of Zamyn-Uud.

Management for the Zamyn-Uud zone has been tendered to a Chinese firm. So far we have no indication that government will not keep promises to open the zone to any who satisfy the relevant legal requirements. However, we have other concerns about the Mongolian free trade zones in general and Zamyn-Uud in particular. In April 2004, the USAID sponsored Economic Policy Reform and Competitiveness Project (EPRC) made the following observations of Mongolia's FTZ Program. Post continues to share these concerns:

1. Benchmarking of Mongolia's FTZ Program against current successful international practices shows deficiencies in the legal and regulatory framework as well as in the process being followed to establish FTZs in the country

2. Lack of implementing regulations and procedural definitions encapsulated in transparency and predictability quotient required to implement key international best practices

3. A process of due diligence, including a cost-benefit analysis, has not been completed for the proposed Zamyn-Uud FTZ

4. Identifiable funding is not in place to meet off-site infrastructure requirements for Zamyn-Uud and Altanbulag sites

5. Deviations from international best practices in the process of launching FTZs risks repeating mistakes made in other countries and may lead to “hidden costs” or the provision of subsidies that the government of Mongolia did not foresee or which will have to granted at the expense of other high priority needs.

F. FOREIGN DIRECT INVESTMENT STATISTICS:

1. Comment on the data sources for foreign direct investment in Mongolia.

The Foreign Investment and Foreign Trade Agency (FIFTA) provides most of the data for tracking FDI in Mongolia. However, the data has severe limitations:

a. **Inaccurate reporting and data collection:** Many foreign firms provide inaccurate data to FIFTA on their annual investment amounts. FIFTA's registration regime requires companies to document business plans and total FDI for the coming year. FIFTA uses their amounts to determine FDI for the year. However, many firms fear that their plans and information are not secure at FIFTA and provide incomplete data on their actual activities. In addition, FIFTA does not update reports to account for any changes to investments during the year. (See Chapter 6, Section A.5: Performance Requirements and Incentives).

b. **Data not Available:** Because of questionable quality of our data sources and because FIFTA generally does not track anything more than the aggregate totals of investment year by year, it is not currently possible to provide:
    1. Mongolia's direct investment abroad
    2. FDI stock as a percentage of GDP

Overall, because of the paucity or inaccuracy of the data, Post will refrain from drawing any conclusions about FDI in Mongolia.

2. FDI Statistics (Source Foreign Investment and Foreign Trade Agency of Mongolia)

A. FDI from 1990 to 2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
FDI (in thousands) USD)	1	2.1	1.9	3.4	10.7	36.5	53.2	40.5	30	86.1	90.6	125
Number of companies	2	10	23	40	78	147	191	258	278	341	294	353

B. Focused look at FDI in 2001 (latest year for detailed statistics)

Top 27 Investors of 2001 by national origin

Country	Investment (in thousands USD)	Number of investors
China	39635.3	7
S.Korea	18771.24	10
Great Britain	16216.40	3
British Virgin Islands	15000.00	1
Bulgaria	3566.64	1
USA	1894.68	2
Hong Kong	1000	1
Russia	512.87	1
Switzerland	506.39	1

2001 FDI by Sector

Sector	Number of companies	Total investment (in thousands USD)
Geological prospecting and exploration	19	56248
Banking and financial services	4	19713
Trade and catering service	99	8213
Engineering construction and production of building materials	23	7715
Light industry	21	5846
Processing of animal originated raw materials	18	5814
Energy	3	1072
Others	166	20659

2001 FDI by Country

Country	The number of foreign invested companies				FDI
	JVC	Wholy owned	Total amount	Millions USD	FDI per company /in thousands USD/
China	515	160	675	145	215
Russia	238	55	293	26	89
S. Korea	135	135	270	61	226
Japan	95	25	120	50	417

USA	32	30	62	33	532
Germany	49	12	61	4	66
Total amount	1064	417	1481	319	
All	1379	576	1955	489	250

3. Major Foreign Direct Investments in Mongolia:

Company	Nation of Origin	Sector	Estimated FDI USD
Ivanhoe Mines Mongolia	Canada	Mining	100,000,000 +
SOCO Tamsag	USA	Petroleum	90,000,000 +
Boroo Gold	Canada	Mining	70,000,000 +
Trade and Development Bank	USA/Switzerland	Banking and Finance	25,000,000 +
Marubeni	Japan	Cashmere Production	20,000,000 +
Wagner Asia Mongolia	USA	Equipment/CAT, Ford, Ingersoll-Rand	12,000,000 +
Dongsheng Petroleum	China	Petroleum	NA
Komatsu	Japan	Equipment	NA
MobiCom	Japan/Mongolian	Telecommunications	NA
Itochu	Japan	Equipment	NA
Siemans	Germany	ICT	NA
Sugura Mongolia	Japan	Construction	NA
Seoul Company	Korea	Construction/Hospitality	NA
United Apparel	Fiji	Apparel	NA
Coca Cola Mongolia	US/Mongolia	Bottler	8,000,000 +
MSM Co.	US/Mongol/German	Fast Moving Consumer Goods, Tools and Equipment, Daimler-Chrysler	5,000,000 +
Anglo-American Gold Mongolia	South Africa	Mining	NA
CVRD	Brazil	Mining	NA

CHAPTER 7 TRADE AND PROJECT FINANCING

A. THE BANKING SYSTEM

The banking system has become more efficient and reliable. Prior to 1991, no western-style commercial or central banking system existed in Mongolia. The State Bank was the only bank in Mongolia. In October 1990, the Mongolian Government, in line with free market economic reforms, dissolved the State Bank.

In 1991, Mongolia enacted a new banking law to create a western-style banking system. The law re-organized the banking system into a two-tier structure. The Bank of Mongolia or Mongol Bank acts as the central bank, implementing monetary policy. Other private and public banks provide commercial services.

The Trade and Development Bank (TDB) is the largest of the thirteen commercial banks spun from the former State Bank. In 2002, TDB bank was privatized to an American-Swiss consortium. Headquartered in Ulaanbaatar and operating in several provinces, TDB is the principal bank dealing with foreign exchange and the largest commercial bank in international transaction volume. Its clients include state enterprises, joint ventures, diplomatic missions, multi-lateral organizations, and private companies.

Until recently, TDB serviced all foreign-entity accounts in Mongolia. Now private banks such as Golomt also serve the foreign community. KHAAN Bank, another State Bank's spin-off, was privatized to a Japanese securities and tourism company. Although the Japanese plan to expand the bank to Japan, KHAAN has historically provided services to rural domestic clients. The Bank of Mongolia and commercial banks, including Golomt Bank and Erel Bank, are licensed for international transactions and provide some exchange services.

A foreign company or organization (such as a joint venture or wholly owned firm) may open an account by presenting the following information to their bank:

1. Registration by the Foreign Investment and Foreign Trade Agency (FIFTA).
2. Authorization from the Ministry of Finance.
3. A letter requesting the account.

A private foreign individual may open an account upon written request. Banks usually have forms that serve as written requests. A passport is required.

Exchange Services

The tugrik (MNT) is the national currency of Mongolia and the only legal currency. Since July 1996, all cash payments are made in tugriks. Mongolia maintains a floating exchange rate policy. Over the past several years, the exchange rate has been relatively stable. In November 2004, the rate was approximately $1 = 1,1210 MNT. Individuals may exchange money at authorized currency exchange points, as well as at banks and hotels. English language newspapers regularly report exchange rates.

Transfers and Withdrawals

Most of the large banks can make international money transfers. The Trade and Development Bank has correspondent relations with several foreign banks and maintains accounts in major world currencies with several of them. Clients may transfer money into and out of Trade and Development Bank accounts. There are no set limits on the amount that may be withdrawn from an account. The bank charges a small commission on cash withdrawals in hard currency. There is no commission on cash withdrawals in Tugriks at the day's buying rate. The bank charges a commission on all transfers of hard currency within Mongolia and to other banks abroad.

TDB will cash personal checks but that process can take up to one month while the bank waits for the check to clear. The check casher will not have access to the funds until the check clears.

Travelers' Checks, Credit Cards, and ATMs

The Trade and Development Bank is one of the main banks that cashes and sells American Express, Thomas Cook, Visa, and MasterCard U.S. dollar-denominated travelers' checks. The bank sells travelers' checks for U.S. dollars without commission. There is a commission on drawing travelers' checks from an account. The checks may be cashed for Tugriks with no commission charge. If cashed for hard currencies or deposited into an account, the client pays a small commission.

Major hotels accept American Express, Visa, Master Card, and JCB credit cards. More major stores, restaurants, and travel agencies also accept credit cards. The Trade and Development Bank offers cash advances on American Express and JCB cards. It maintains several ATMs that allow cash withdrawals through international networks. Merchants add a 3 %- 4% surcharge on both credit and charge card purchases.

International Service Banks in Mongolia

Agricultural (Khaan) Bank of Mongolia
Tel: (976-11) 457-880
Fax: (976-11) 457-880
Email: haanbank@magicnet.mn

Capital Bank
Tel: (976-11) 312-531
Fax: (976-11) 310-833
Email: info@capitalbank.mn

Capitron Bank
Tel: (976-11) 327-550
Fax: (976-11) 314-111
Email: info@capitronbank.mn

Golomt Bank
Tel: (976-11) 311-971
Fax: (976-11) 312-307, 311-958
Email: mail@golomtbank.com

Mongol Post Bank
Tel/Fax: (976-11) 310-103
Fax: 328-501
Email: post_bank@mongol.net

Savings Bank
Tel/Fax: (976-11) 318-724
Email: savbank@magicnet.mn

Trade and Development Bank
Tel: (976-11) 321-171, 327-020, 312-362
Fax: (976-11) 325-449, 325-685
Email: tdbmts@magicnet.mn

B. FOREIGN EXCHANGE CONTROLS

There are no foreign exchange controls affecting either investment or trade in Mongolia. Infrequently, the commercial banking system has shortages of dollars that slightly delay remittances. The local currency, the Tugrik, floats freely. Several banks and exchange kiosks are licensed by the BOM to engage in foreign currency exchange.

C. GENERAL FINANCING AVAILABILITY

In Mongolia's market economy, there are many ways to finance imports. The most common is the letter of credit. The Trade and Development Bank and Golomt Bank are familiar with letters of credit, as are major importers/distributors in Mongolia. However, credit tends to be quite tight in Mongolia. Many domestic and foreign investors seek financing outside Mongolia.

Sources of financing available for US exporters and investors are:

THE WORLD BANK:

The World Bank, based in Washington, D.C., publishes bidding opportunities in the United Nations publication "Development Business." This is available by subscription from United Nations, PO Box 5850, Grand Central Station, New York, New York 10163-5850.

The World Bank conducts procurement by the rules of international competitive bidding through Mongolian government agencies; nonetheless, successful bidding requires close coordination with the Mongolian government entity responsible for development of a project at the consulting stage, when specifications are being established.

THE INTERNATIONAL FINANCE CORPORATION (IFC):

IFC maintains an office in Ulaanbaatar and plans more activities in Mongolia. IFC's core business is financing projects with cash flows that can cover debt-service repayment to lenders and payment of dividends to shareholders. Such financing is without government guarantees. IFC can be contacted through its Washington, D.C. headquarters at (202) 473-1000 or at its Ulaanbaatar office (976-11) 312-647.

THE ASIAN DEVELOPMENT BANK (ADB):

The ADB largely provides loans for infrastructure and agricultural projects. Once the ADB and the Mongolian government initially approve a project, it is included in a monthly publication called "ADB Business Opportunities." Available by subscription from the Publications Unit, Information Office, ADB, PO Box 789, Manila, Philippines, fax (632) 632-5122 or 632-5841.

The U.S. Commerce Department has established a multilateral development bank operations office (fax: 202/273-0927) that publishes information to assist companies in winning such contracts.

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD):

EBRD has only recently begun to aid Mongolia. The first project supports Mongolia's efforts to privatize its national airline MIAT. Contact the EBRD at Tel: (44-20) 7338-6000 or Fax: (44-20) 7338-6100.

US TRADE AND DEVELOPMENT AGENCY (TDA):

The Trade and Development Agency wants to participate in Mongolian projects. Once active sectors and potential projects are identified for possible feasibility study financing or technical assistance, TDA will hire its own technical consultant to review the project. TDA's basic criteria for project funding are:

- The project is a developmental priority of the host country

- There is a likelihood of project financing
- The US export potential is significant
- There is foreign competition for the project

Contact the US Trade and Development Agency at 1000 Wilson Boulevard, Suite 1600 Arlington, Virginia 22209, Tel: 703/875-4357, fax: 703/875-4009, www.tda.gov.

EXPORT-IMPORT BANK (EXIM), INTERNATIONAL FUNDING INFORMATION SERVICE (IFIS), AND THE OVERSEAS PRIVATE INSURANCE CORPORATION (OPIC)

Currently, EXIM has provided financing for one airline related activity in Mongolia.

No Mongolian agency subscribes to the IFIS services.

Recently OPIC has become more active in Mongolia. OPIC has issued and plans to issue direct loans to American firms providing a variety of services in Mongolia. Because the amounts required are relatively small, OPIC seems willing to make direct loans rather than provide loan insurance to projects. For more information contact OPIC at Tel: (202) 336-8731 or fax: (202) 218-0299, www.opic.gov.

CHAPTER 8: BUSINESS TRAVEL

A. VISAS

Mongolia requires a valid passport for American visitors. No visa is required for Americans visiting for less than 90 days. Visitors planning to stay in Mongolia for more than 30 days must register with the Immigration, Naturalization and Foreign Citizens Agency (INFCA) in Ulaanbaatar, located north of the Mobicom Building, during their first week of arrival. American visitors who fail to register and stay longer than 30 days may be stopped at departure, denied exit, and fined. Americans planning to work or study in Mongolia should apply for a visa at a Mongolian Embassy or Consulate overseas. Failure to do so may result in authorities denying registration, levying a fine, and requiring that the visitor leave the country. For current information on visas and registration requirements, contact the Embassy of Mongolia at 2833 M Street, N.W., Washington, D.C. 20007, Tel: (202) 333-7117 or http://www.mongolianembassy.us, or the US Embassy in Ulaanbaatar, T el: (976-11) 329-095 or cons@usembassy.mn.

US citizens traveling to Mongolia via China **MUST** have a valid Chinese visa--even if the traveler is only transiting Beijing airport. If you transit Beijing twice (to and from Mongolia), you **MUST** have a double-entry Chinese visa.

Travel Information

For more on international travel, travel advisories, etc., please see travel information on the Department of State's website: http://travel.state.gov/travel_warnings.html#m. The US Embassy in Ulaanbaatar also has a website: www.us-mongolia.com.

B. RESIDENCY PERMITS

A foreign investor must present a request issued by the Foreign Investment and Foreign Trade Agency (FIFTA) to the Immigration, Naturalization and Foreign Citizens Agency (INFCA). FIFTA issue such requests to approved foreign investors. Permits are generally issued within a couple of days and are valid for three months to one year. Individuals may renew temporary residency permits an unlimited number of times. Each renewal will re-validate the permit for a period of three months up to one year, as requested by the investor.

For more detailed information about residency permits, contact FIFTA directly. FIFTA's email address is fifta@investmongolia.com.

Those seeking employment in Mongolian or foreign-owned enterprises, including NGOs, must apply to the Labor Coordination Agency. Those wishing to establish an NGO must first obtain a permit from the Ministry of Justice. After obtaining the required permits, all foreigners must then apply for residency permits at INFCA.

C. HEALTH ISSUES

Medical facilities in Mongolia are limited. Some western medicines are unavailable. Infectious diseases, such as plague and meningococcal meningitis, are present at various times of the year. Serious medical problems requiring hospitalization and/or medical evacuation to the United States can cost thousands of dollars or more. Additionally, many medical transport companies will not transport people without previous arrangements and agreements have been made. All visitors are recommended to have medical evacuation insurance. The cost of medical evacuation without such insurance can range from $25,000 to $70,000. Doctors and hospitals often expect immediate payment for health services. For more information, please contact the U.S. Embassy in Ulaanbaatar or the Centers for Disease Control and Prevention's international travelers hotline. Also check www.http://travel.state.gov for the latest U. S. State Department warnings and updates.

SOS operates a clinic in Ulaanbaatar. Individuals may purchase clinic 6 month to one year membership package; or can be treated on a fee for service basis without a membership. For more information contact:

SOS Medica Mongolia Clinic
Gutal Corporation Building
Khan Uul District
Ulaanbaatar, Mongolia
Tel: 976-11-345526; 976-11-345-527
Cell: 976- 9911 0335; 976-99750967
Email: admin@sosmedica.mn

Sanitation in some restaurants is inadequate. Stomach illnesses are frequent. Bottled water and other routine precautions are advisable. Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the Centers for Disease Control and Prevention's hotline for international travelers at 1-877-FYI-TRIP (1-877-394-8747); fax 1-888-CDC-FAXX, (1-888-232-3299), or via the CDC's Internet site at http://www.cdc.gov/travel.

D. GENERAL INFORMATION

The standard 40 hour workweek is Monday through Friday, 0900-1800, with an hour for lunch. Holidays are as follows (on the day before an official Mongolian holiday, offices close at 1400):

January 1: New Year
February: Lunar New Year (dates vary every year)
June 1: Mother and Child Day
July 11-13: Naadam, the Mongolian national holiday
November 26: Constitution Day

There are no restrictions on in-country travel. MIAT airline and Areo Mongolia offer domestic service to all provincial capitals. Jeeps are also available for hire to more remote destinations. Most of Mongolia's road network is unpaved and travel is unpredictable. Ulaanbaatar has hotels with standard amenities, but few hotels exist outside of the capital. In the countryside, there are ger camps (encampments of 15 to 40 gers). Each ger usually accommodates four persons. Most tourist camps have a restaurant and are usually equipped with toilets and showers with hot water.

The Mongolian diet is based on dairy products, mutton, and beef. Restaurants in Ulaanbaatar offer traditional Mongolian food as well as North American, European and Asian cuisine. The variety and quality of products in the markets continues to improve. Fruits and vegetables are available year-round. The standard voltage is 220 volts/50Hz. Sockets are of the two-pronged pin type (similar to Russian). International direct dial is available in hotels. In Ulaanbaatar, Internet cafes abound. Parts of Mongolia are not connected to the power grid. Outside Ulaanbaaatar few Mongolians speak a foreign language. A translator is required and can be hired in Ulaanbaatar. The cost is approximately $30 per day. Although many government officials speak English, they conduct most meetings in Mongolian. Plan to hire a translator.

The Mongolian National Chamber of Commerce and Industry can arrange for duty free import of display items for trade shows. For more information, contact the MNCCI in Ulaanbaatar: State Property Building, Sambuu Street, 6th Floor; Tel: (976-11) 327-176; Fax: (976-11) 324-620; E-mail: monchamb@magicnet.mn; Web Site: www.mongolchamber.mn.

Chapter 9: Contacts, Market Research, and Trade Events

A. Mongolian Government

Ministries

Office of the Deputy Prime-Minister
H.E. Ch. Ulaan
Tel: (976-11) 260535, 321956
Secretary: Tel: 99195167
Email: ulaan.mail@parl.gov.mn; batmonkh@yahoo.com
Website: www.parl.gov.mn

Ministry of Foreign Affairs
H.E. Ts. Munkh-Ogril, Minister
Tel: (976-11) 262090
Secretary: (976-11) 262627
Email: merinfo@magicnet.mn
Website: www.extmin.mn

Ministry of Finance and Economy
H.E. Mr. Altankhuyag
Tel: (976-11) 322-712; Fax: (976-11) 320-247
Secretary: (976-11) 325-250

Ministry of Justice & Internal Affairs
H.E. Ts. Nyamdorj, Minister
Tel: (976-11) 322-383
Secretary: (976-11) 261708
Head of International Cooperation Department. tel: (976-110 261951
Tel: (976-11) 325-225
Email: porel@moj.pmis.gov.mn
Website: www.monjustice.url.mn

Ministry of Roads, Transport, and Tourism
H.E. G. Batkhuu, Minister
Tel: (976-11) 322-533; Fax: (976-11) 310-612
Secretary: Cell. Tel: 91910460, 9915-3337
International Cooperation: Tel: (976) 99722296

Ministry of Energy and Fuel
H.E. T. Ochirkhuu, Minister
Tel: Cell: (976) 9911-5059
Foreign Cooperation: Cell.: (976) 91918737, (976-11) 330627
Email: intcoop@msl.energy.mn

Ministry of Construction and Urban Development

H.E. N. Batbayar, Minister

Ministry of Industry & Trade
H.E. S. Batbold, Minister
Tel: (976-11) 329-222
Secretary: Tel: (976-11) 323-023, 327-912
Fax: 976-11) 322-595, 327-914
Email: mit@mit.pmis.gov.mn
Website: www.mit.pmis.gov.mn

Ministry of Nature and Environment
H.E. U. Barsbold, Minister
Tel: (976-11) 320-943, 320-402
Foreign Relations Department
Tel: (976-11) 312-269; Fax: (976-11) 321-401
Email: mnl@mol.mn

Ministry of Defense

Tel: (976-11) 458-495
Foreign Cooperation: Tel: (976-11) 263519, Fax: (976-11) 458-477
Email: ebatzorig@yahoo.com
Website: www.pmis.gov.mn/mdef/

Ministry of Food and Agriculture

H.E. Terbishdagva, Minister
Tel: (976-11) 450-258
452831
Email: mofa@mofa.pmis.gov.mn
Website: www.pmis.gov.mn.mofa

Ministry of Education and Science

H.E. Mr. P. Tsagaan, Minister
Tel: (976-11) 323158
Website: www.med.pmis.gov.mn

Ministry of Health

H.E. Ms. Gandi ,Minister
Tel. (976-11) 312583
9116062
Email: moh@moh.mng.net
Website: www.moh.mn

Ministry of Labor and Social Welfare
H.E. Bayarsaikhan , Minister
Tel: (976-11) 263950
Head of the Department of Policy Coordination and International Relations
Tel: (976-11) 322-990
Website: www.mswl.gov.mn

Ministry for State Inspections
(976-11) 266088
Operator: (976-11) 263458

Ministry of Disaster Relief
H.E. Khurelsukh , Minister
Tel: (976-11) 322354
Secretary: (976-11) 91914898

Agencies

Foreign Investment and Foreign Trade Agency
Mr. B. Ganzorig - Chairman
2nd Floor, Sambuu Street 11
Ulaanbaatar, 38 Mongolia
Phone: (976-11) 320-871, 326-040, 320-793
Fax: (976-11) 324-076, 312-323;
Email: fifta@investmongolia.com <mailto:fifta@investmongolia.com>
Web Site: www.investmongolia.com <http://www.investmongolia.com/>

Minerals Resource and Petroleum Authority of Mongolia
Mr. Lu.Bold
Chairman
Tel: (976-11) 327-307
Secretary: (976-11) 310-370
Email: mram@magicnet.mn
Web site: http://www.mram.mn

Civil Aviation Authority
Mr. M. Dagva, Director General
Tel: (976-11) 313151, 982001
Fax: (976-11) 313151, 379640
Email: odbaatar@mciaa.gov.mn
Website: http://www.mciaa.gov.mn

Communications Regulatory Committee
Mr. Enkhmend, Chairman
Tel: (976-11) 363-999, 304-257

State Privatization Committee
Mr. Z. Enkhbold, Chairman and Member of Parliament
Tel: (976-11) 312-460, 312-472
Fax: (976-11) 312-798
Email: odmaa@spc.gov.mn
Website: http://www.spc.gov.mn

National Board of Statistics
Tel: (976-11) 324-518

B. CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS

Mongolian National Chamber of Commerce and Industry
State Property Building 1
Sambuu St.
Ulaanbaatar - 11
Tel: (976-11) 327-176
Fax: (976-11) 324-620
E-mail: monchamb@magicnet.mn <mailto:monchamb@magicnet.mn

Mongolian Employers Federation
Tel: (976-11) 326-445
Fax: (976-11) 325-635
Youth Federation Building
E-mail: monef@magicnet.mn <mailto:monef@magicnet.mn>

Mongolian Stock Exchange
Tel: (976-11) 310-501, 310-470
Fax (976-11) 325-170
Sukhbaatar Square
Ulaanbaatar - 14
E-mail: mse@magicnet.mn <mailto:mse@magicnet.mn>
Website: www.mse.mn <http://www.mse.mn/>

C. MARKET RESEARCH FIRMS

U.S.-Mongolia Advisory Group, Inc.
Dr. Alicia Campi
6002 Ticonderoga Court
Burke, VA 22015
Phone/Fax in Virginia: 703-451-6456
Phone in New York City: 212-861-9460
E-mail: usmagcampi@aol.com

North America Mongolia Business Council, Mongolia Office (NAMBC)

Mr. Pete Morrow, Vice Chairman
E-mail: pete@magicnet.mn

North America Mongolia Business Council, American Office (NAMBC)
Mr. Steve Saunders, President
Phone: (703) 549-8444
Fax: (703) 549-6526
Address: 1015 Duke Street, Alexandria, Virginia 22314, USA
Email: steve@nambc.org
Web Site: www.nambc.org

Sant Marel
Mr. I Sumati
Tel: (976) 9911-6367
Email: lsumati@magicnet.mn

D. BANKS

Mongol Bank (Central Bank)
O. Chuluunbat, Governor
Tel: (976-11) 322-169
Fax: (976-11) 311-471
Email: orgilmaa@mongolbank.mn
Website: www.mongolbank.mn

Trade and Development Bank
Randolph Koppa, CEO
Tel: (976-11) 327-020, 321-171, 312-262 (receptionist)
Fax: (976-11) 325-449
Email: tdbank@tdbm.mn
Website: www.tdbm.mn

Agricultural Bank
Peter Morrow, Executive Director
B. Turnbull, Deputy Director
Tel: (976-11) 457-880, 458-096
Email: infokhan@khanbank.com
Website: www.khanbank.com

Golomt Bank
Mr. Bayasgalan, President & CEO
Tel: (976-11) 311-530, 311-971
Email: mail@golomtbank.com
Website: www.golomtbank.com

E. US EMBASSY CONTACTS

The United States Embassy
Mr. Michael Richmond, Ph.D., Senior Commercial Assistant
Central Post Box 1021
Micro Region 11, Big Ring Road
Ulaanbaatar, Mongolia
Tel: (976-11) 329-095
Fax: (976-11) 320-776
E-mail: commerce@usembassy.mn
Web Site: www.us-mongolia.com

U.S. Mailing Address:
American Embassy Ulaanbaatar
Department of State
Washington, DC 20521-4410
Attention Commercial Assistant Michael Richmond
commerce@usembassy.mn

F. Washington-Based USG Mongolia Contacts

US Department of Commerce
International Trade Administration
Mongolia Desk Officer Zhen Gong Cross
14th And Constitution Avenue
Washington, DC 20230
Tel: (202) 482-3583
Fax: (202) 482-1576

US Trade Development Agency
Mongolia Country Manager T. Hardy
1000 Wilson Boulevard
Suite 1600
Arlington, Virginia 22209
Tel: 703/875-4357
Fax: 703/875-4009
Web site: www.tda.gov .

TPCC Trade Information Center
Tel: 800-USA-Trade
US Department Of State
Office of China and Mongolia
Bureau of East Asia & Pacific Affairs
Room 4318, 2201 C Street, NW
Washington, DC 20520
Tel: (202) 647-6796
Fax: (202) 647-6820

US Department of Agriculture
International Trade Policy
Asia American Division
Foreign Agricultural Service Stop 1023
11th And Independence Ave., SW
Washington, DC 20250-1023
Tel: (202) 720-1289
Fax: (202) 690-1093

Office of US Trade Representative
600 17th Street, NW
Washington, DC 20506

Embassy of Mongolia 2833 M Street,
N.W. Washington, D.C. 20007 USA
Tel: (202) 333-7117
Fax: (202) 298-9227
Email: monemb@aol.com
Web Site: http://www.mongolianembassy.us