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# MONGOLIAN ECONOMY



Mongolia in the Reign of  
North East Asia

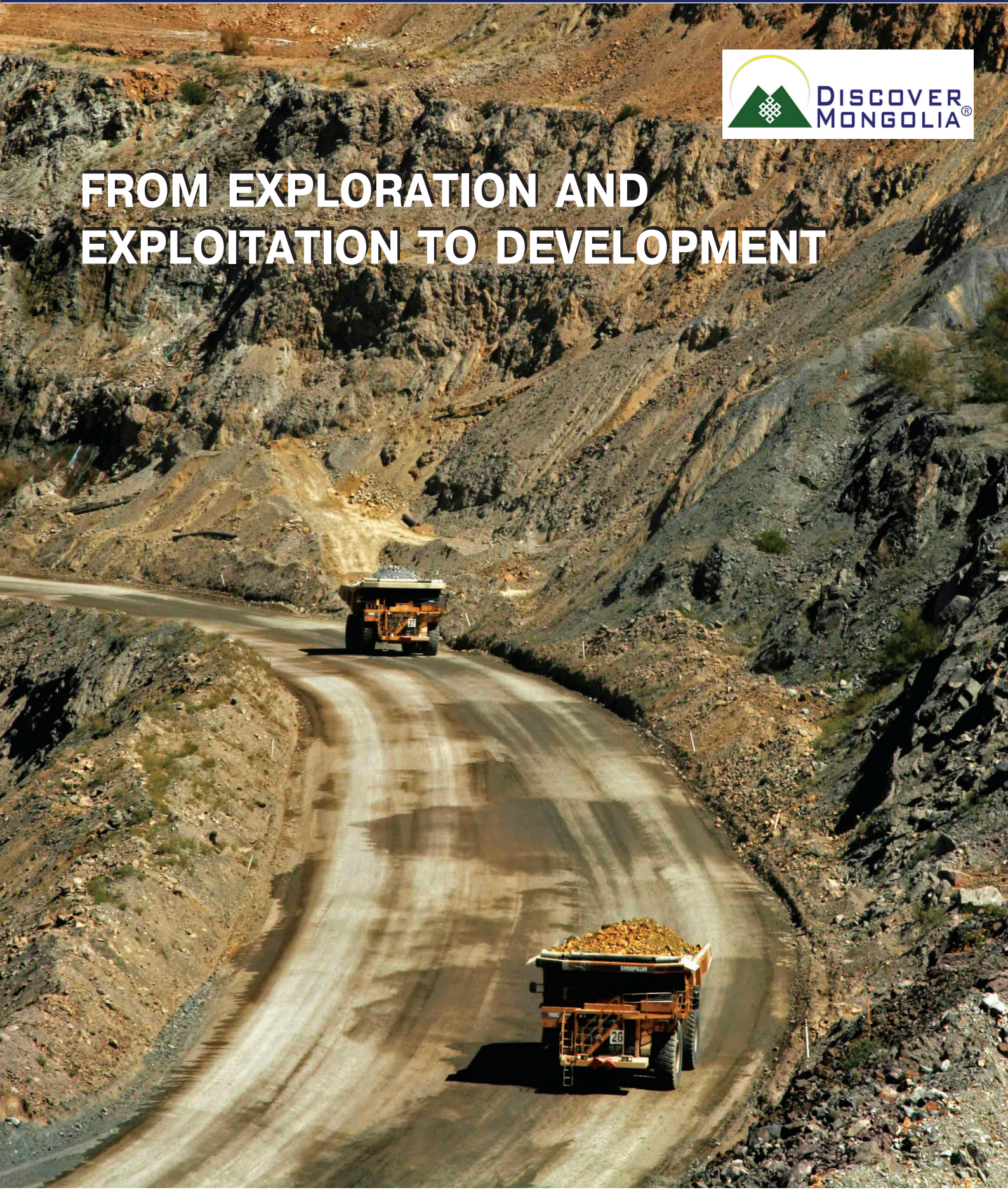
The Age of Shale

Mongolian Economy and Business Magazine August, 2012. №14, 15 (024, 025)

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**Mongolia in the Reign of North East Asia**



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## GOVERNMENT



The government has ordered the grant of loans with annual 6 percent interest to low-and middle-income families as part of its 100,000 Homes project. Although the government originally left the responsibility for the programmes implementation to the Bank of Mongolia, the recently elected government has opted to hand over responsibility to Capital Bank as well. Capital Bank officials have announced that they are prepared to release up to MNT 10 billion of their own funding for the first round of project financing.

## STOCK MARKET

Trade on the Mongolian Stock market has been going downhill over the past few months. According to officials, the decline was caused by a transition to the Millennium Exchange software provided by the London Stock Exchange. New requirements for trade put many brokers on the bench. The number of brokers since the new software system was implemented has grown from two to 19.

## DIPLOMACY

President of the Confederation of the Asia-Pacific Chambers of Commerce and Industry Benedicto V. Yujuico visited Mongolia from August 1 to 5. Yujuico was accompanied by a delegation of businessmen from countries such as Hong Kong, Taiwan, India, the Philippines and Pakistan. Representatives of companies operating in the fields of information technology, real estate, commodities, the service sectors, fuel production, heavy machinery and transportation are included in the delegation.

## CONSTRUCTION

Newcom Group is developing a wind power plant for Sergelen Soum, Tuv Aimag. The construction work to the 50-megawatt wind farm to be commissioned in November has reached 40 percent completion. The wind farm is expected to deliver 170 million kilowatts per hour of energy annually. Commissioning the power plant would save 2 million tonnes of water



and 200 000 tonnes of coal.

## AGRONOMY

A total of 318,000 hectares of field was sown for crops this year, with wheat crops comprising 296,200 hectares. The area for crop production

has expanded by 16,400 hectares compared to the year before, with potato fields expanded by 4,500 hectares, vegetable fields by 2,000 hectares, and animal feed fields by 4,100. Corn was planted in 296,000 hectares of land, with projections of 440,000 tons of corn crops expected for harvest. However, heavy rains in Khuvsgan, Bulgan, and Orkhon Aimags have washed away much of the crops there. Khuvsgol experienced losses at 400 hectares of crops, and 80 hectares in Tuv.

## AGRICULTURE

The Mongolian Institute for the Protection of Plants has partnered with Russia's Sibbiopharm, Sib Holding and the Academy of Sciences for the Protection of Plants of St. Petersburg. The partners plan the construction of a small factory for the development of new technology for the protection of plant life. The project will also study the growth in the number of rodents, parasites and grasshoppers.

## HEALTH

Mongolia manufactures around 280 types of medical drugs worth MNT 8.1 billion each year. However, all the ingredients used in those drugs are imported, with exception to some herbal ingredients. Around 2,000 types of medicines worth MNT 60 billion are imported annually. At present, about 1,891 types of medicines

have been officially registered for use. A study reveals that over 170 medicines are used most commonly.

## ASIA

The euro fell against the U,S, dollar, slipping to \$1.2122 for exchange. Asian stock markets also fell amid fears that the ongoing debt problems in the euro zone will hurt the region's growth. Japan's Nikkei 225 index fell 1.4 percent; South Korea's Kospi dropped 2.3 percent; and Hong Kong's Hang Seng fell by 2.7 percent. The euro zone is a key market for Asian exports and there are concerns that demand from the region may decline in the near term. At the same time, a weaker euro has also added to the woes of Asian exporters, as it makes their goods more expensive for buyers from the region. The euro fell to 94.91 yen in Asian trade, its lowest level since November 2000.

## EUROPE

The Central bank of Europe aims to keep the inflation rate no more than 2 percent. The Monetary Policy Council of European Banks estimate inflation to be at an average of 2.4 percent for 2012 and projected 1.6 percent for 2013. Euro-zone inflation reached 2.6 percent in April. The European Union's Statistics Authority said that euro-zone inflation decreased to 2.4 percent in May. European exports declined by 1.3 percent and import by 3 percent last month.



## DISCOVER MONGOLIA CELEBRATES 10 YEARS

This year's Discover Mongolia will have its own uniqueness. The forum will take place on the same day that the new heads of government will be appointed. Thus, the "government hour" session is certain to be one of great interest.

BY D. BEKHBAYAR

It has been a decade since the Discover Mongolia forum was first organised with the aim to introduce Mongolia's mining industry to the world. That is not a short time. The forum, known for its special topics and poignant slogans, is anticipated by many. With that in mind, it is worth looking back to see what Mongolia's economy was like ten years ago.

Global giants were not interested in small Asian countries and some did not even know they exist. Mongolia had economic growth of 2 percent and inflation of 3 percent. Foreign investment amounted to USD 172 million, while the numbers of foreign companies totalled USD 3,691 from 1990 to 2004.

In 2010 alone the number of foreign firms grew by 769. Today Mongolia's economic growth has reached 17 percent, catching many by surprise. About 65.3 percent of foreign direct investment is directed to

mining exploration. International companies are not just interested in Mongolia; they have opened branches and offices here as well. Big projects are under development. A huge wave of cash is flowing towards the state budget. Instead of begging for donations, policy makers are proudly able to negotiate. Is this not a step forward?

I reported on Discover Mongolia exactly 10 years ago, and since then I have again reported on it for four years. The forum seemed the biggest and the most innovative organised in the country. Representatives from the public and private sectors participate with great interest. Journalists gather various ideas to report on at the forum as well.

At that time, 10 years ago, many foreign attendees came to participate. Big conferences and forums are no longer a rarity. At each conference the mining industry is the main subject for discussion. It is the central

▶ driving force of Mongolia's economy. Discover Mongolia has contributed a lot to the economic growth and development of the country; that much is for certain.

This issue is dedicated to the 10-year anniversary of Discover Mongolia. The forum, which last year emphasised responsible mining, will this year focus discussion on future trends regarding Southeast Asia's use of mineral resources. The discussions will also concentrate on what responsibilities Mongolia should fulfil and what development possibilities there are for mining compared to other Asian countries.

This edition also includes articles on the investment environment of the mining sector, the development of the oil industry, and shale oil.

Our editor I. Otgonjargal has been working in Australia for over a month now. In addition to an introduction to Australia's mining industry, she is attending trainings and seminars. It would be interesting to know how a country that leads the world in the mining industry copes with obstacles that may soon arise here in Mongolia.

Also, our journalist Kh. Khulan shares her experience

from her visit to Germany. She writes about the social responsibility efforts of German companies in a story I am sure will give domestic companies a plethora of useful information.

It is no secret that Mongolia's mining industry doesn't offer any solutions to the land it has dug up. Rehabilitation is one of many ways to protect the environment. However, not much has been done on this matter here. Thus, if *Mongolian Economy* could offer at least a single idea, then our duty has been fulfilled.

This year's Discover Mongolia will have its own uniqueness. The forum will take place on the same day that the new heads of government will be appointed. Thus, the "government hour" session is certain to be one of great interest. The newly appointed government officials are likely to be swamped with questions, including what mining policies the government will enforce, how it will cooperate with foreign investors, what are its opinions on Oyu Tolgoi and Tavan Tolgoi, and will there be any changes made to the new foreign investment law. ■

## ENQUIRY

# A. BILGUUN: FROM EXPLORATION AND EXPLOITATION TO DEVELOPMENT

This year's forum emphasizes the fact that it is important to export processed minerals rather than raw.

BY B. UUGANBAYAR

*Discover Mongolia 2012 is set to take place soon. Mongolian Economy interviewed A. Bilguun, chief executive officer of Prime Info, on what results to expect from this year's forum.*

**This year is the 10th anniversary of Discover Mongolia. What will be different from past years?**

This year's slogan is "From Exploration and Exploitation to Development". The motto has great significance since construction to

Oyu Tolgoi is nearing completion and exploitation will soon start.

We must focus on manufacturing products with added values. During the forum information on national as well as international markets will be shared. Specialists from Russia, Japan, China and South Korea will attend to give consultancy on South Asian mineral resources and their demand. Something of great importance we will do is introduce the results of research and analyses ▶▶



▶ regarding what obstacles are hindering us from sending Mongolia's raw materials and minerals to South Asian markets.

**How many organisation and companies will be attending this year's forum? What is the main topic of this year's gathering?**

As of now, over 90 companies have registered to participate at the forum. Also mining services companies have offered to hold exhibits. Over 500 organisations from around 20 countries have attended the Discover Mongolia forum over the years.

As for the general topic of the forum, we will primarily hold discussions on reproducing mineral resources, exploration and exploitation, and issues on deep manufacturing. Topics on the supply and demand of South Asia's mineral resources will be discussed in a special session.

In addition, issues on foreign investment regulations and making the legal environment more sophisticated will also be discussed. Also, a so-called "government hour" has been added at the forum. The newly elected government will determine the policies and future of the mining industry and private sector. Thus we place great importance to it in our forum.

**Could you explain more why you chose this year's slogan?**

Ex-President P. Ochirbat is the general administrator of Discover Mongolia's general committee. He came up with the motto.

This year's forum emphasizes the fact that it is important to export processed minerals rather than raw. Last spring, Mongolia agreed to a contract that would allow an Indian company to build a steel factory. One could say that was Mongolia's start of manufacturing products with added value. Thus, the slogan calls for the production of more such products.

**Discover Mongolia has been organised for ten years. It is at a stage where government, mining sector representatives, the private sector as well as foreign investors can speak out. In your opinion, what progress and changes have been brought into government policy and economic development thanks to the forum?**

Mongolia's economy grew very fast in just a few years. Further growth is expected too. Foreign investment is the fundamental reason for this growth.

The forum has been organised since 2003. Even in 2006, when demonstrators protested against all mining activities, we did not cancel the forum. Although Mongolia's uranium policy made foreign investors turn their backs on us, we still try to settle disputes and cooperate.

The conclusions and policies made at Discover Mongolia are often reflected in state policy and their enforcement as well. So far we have contributed quite a lot to our country's development by engaging foreign investors. ■

## MONGOLIA

# MONGOLIA IN THE REIGN OF NORTH EAST ASIA

BY B. ENKHTSETSEG

Russia, China, Mongolia, and North Korea, comprising much of North East Asia, are rich in minerals whereas South Korea and Japan are strong buyers of minerals due to their small minerals reserves. But the Asian tiger economies Japan and South Korea do have some advantages, such as their technology and experience.

Mongolia has an abundance of minerals and two giant wealthy neighbours. Russia controls the railways and its supply of oil while China can show off its exit-only import-export trade with Mongolia. They are both rich in minerals and Mongolia is as well. With this in mind, Northeast Asia seems like a gathering of economic miracles, mineral resources, high-tech resources, and human development.

Like it or not, Mongolia is an important part of the world economy, particularly the Northeast Asian economy. Though Mongolia is a landlocked country, it is situated in the best location of this region. It has the two giant markets of Russia and China to profit from as it sits on its vast grasslands hiding its mineral wealth underground, including reserves of gold, copper, coal, iron ore, and oil.

According to official statistics, the mining sector dominates industry, representing 68 percent of all industrial production in 2011. Profits from mining have increased because commodities such as gold, copper and coal prices have grown on the international market. Mineral exports grew, too, by 71 percent, with profits growing from USD 992 million up to USD 1.7 billion in the first half of this year. Minerals comprise up to 85 percent of all export products with China acting as their largest consumer.

Mongolia has 1.6 billion tonnes of coal, or 10 percent of the world's proven coal reserves. Miners extracted 25 million tonnes of coal in 2010 and then 33 million tonnes of coal last year, of which 22 million tonnes was exported. Mongolia is estimated to hold 660 million tonnes of proven iron ore reserves in its 33 deposits. Though 117,000 tonnes of copper was extracted, that is less than previous years. The amount of copper extract is predicted to increase steadily in upcoming years.

Mongolia holds proven reserves of 36.3 million tonnes. In addition, it is rich in uranium and rare earth elements, which might play a big role in Northeast Asian economies. North Korea is one country that is said to have similar mineral reserves to Mongolia. ▶



## ▶ Turning Disadvantage into Advantage

Main mineral producing regions such as Siberia, and Mongolia cater to China, Japan, and South Korea. Supplying these markets has the advantage of bringing high-tech equipment and sparking the build-up of infrastructure. The mining sector is the engine that drives development as well as the introduction of high-tech equipment. Clearly lots of investment is needed for the development and renovation of infrastructure. This investment coming from Northeast Asian countries into Mongolia is dominated by China, representing 80 percent of investment, followed by South Korea. Meanwhile, according to the Foreign Investment and Foreign Trade Agency (FIFTA), 65 percent of all investment is directed towards the mining sector.

Mongolia's close proximity to China, the country most mineral supplying nations are competing for, gives it a huge advantage.

"Mining companies all over the world are competing with each other to place themselves in the Chinese market. On one side, it is a historical chance for Mongolia's neighbouring giant market, China" said, D. Jargalsaikhan, director of the mining firm FSCO Mongolia.

"The disadvantage, or barrier, for Mongolia in this region is the high shipping cost for supplying mineral products to other North East Asian countries", he added.

As one of the world's biggest producer of mineral products, China uses its strategic geographic location to create a monopoly. On the other side of the country, Mongolia's northern neighbor Russia—which is also on the list of the world biggest mineral producers—has small reserves of coking coal and fluor spar. It means, the kind of minerals Russia has are desired by Mongolia while Russian has interests in the minerals it can buy from Mongolia.

So what is the problem here? Why is Mongolia unable to freely trade its minerals with Russia? The problem, once again, has to do with exporting minerals to other Northeast Asian countries. High shipping costs create a barrier here too. Mongolia's greatest disadvantage here is its weak development of infrastructure.

"We can turn these disadvantages into an advantage", said B. Ganbold, director at the Asian department of

the Ministry of Foreign Affairs. "Initially, it is very important to maintain sustainable politics and economics. In particular, there is high demand for an enhanced legal environment for investment."

"Furthermore, we also must use regional development mechanisms by establishing bilateral and multilateral trading agreements with the main countries we partner with".

Mongolia exports almost 100 percent of its mineral production to China, with coal representing half of those exports, followed by other minerals such as copper concentrate, crude oil and zinc concentrate.

In the past year, Mongolia supplied 45 percent of the coking coal imported to China. While the second biggest economy in the world stands as the main market for Mongolia's copper concentrate, iron ore, and zinc concentrate, South Korea is the main purchaser of its molybdenum ore as well as other raw materials. Experts are predicting that Mongolia and Russia will play a main role supplying minerals in this region in the future as well.

## Where North East Asia is heading

Rapid growth to Northeast Asian countries has been building up more demand for minerals. Economic growth in China and South Korea, which is higher in these two countries than the global average, has a big impact on high regional growth as well as the economies of Russia and Mongolia. Though some analysts predict that China's economy will grow by eight percent in 2012, the current situation of the world economy will likely impact minerals demand and industrial growth.

South Korea and Japan are the biggest economies in Asia that rely on imports for almost all their mineral needs, and are competing with China for supplies of natural resources. The Korean government projects that 43 percent of its demand for six strategic minerals, including uranium, coal and iron ore, will come from overseas mines by 2020, compared with 12 percent last year. It is very important for an economy like Korea, which relies heavily on exports, to have stable supplies ▶

▸ of raw materials with competitive prices. Securing at least half its demand from its own mines gives it a plan B, just in case of unforeseen circumstances.

Meanwhile, there is an outlook that China's need for copper will shrink in coming years, now that the past twenty years of 13.6 percent average growth seems to be behind it. Though China has cut back on the amount of energy produced by coal-fired thermal power plants, the Chinese government said it will still use coal to produce 60 percent of its total energy's need up until 2020. China's thermal coal imports are expected to rise to 200 million tonnes in 2015 compared with around 90 million tonnes in 2011. It is clear that China's demand for coal will grow as long as coal remains the main resource used for energy production in China, JP Morgan and the International Energy Agency said recently.

Some international organizations are expecting Chinese mineral resource to grow by 40 percent in 2020. In light of this, North Korea is attempting to increase its mine production, explore new mineral resources, and modernise its mining technology.

Due to the fewer possibilities for transit through Siberia, Russia is only shipping 60 million tonnes of minerals a year. To increase its export of raw materials, Russia has started laying down crude oil pipes as well as gas pipes towards Dachin, China. In addition to that, Russia has decided to increase its export of electricity to China by 60 percent.

China, the biggest heavyweight in Northeast Asia, has a monopoly over trade with North Korea. The North Korean government has given special priority to the exploration and development of new mineral resources, especially ferrous and non-ferrous minerals. Recently, North Korea and China have cooperated in their exploration of North Korea's mineral resources.

In the competition over Northeast Asia's minerals market, Mongolia is already starting to play a big role. But despite its status in this market it is important to know who the other players of the game are and what the rules are. We have disadvantages, but sometimes disadvantages can be looked at as advantages too. ■

#### EXPERT SAYS

## P. OCHIRBAT: MINING COULD MAKE MONGOLIA AN ASIAN TIGER

Mongolia's mining industry could make the country an "Asian tiger". Capital flows parallel to the market. Asia is determining the demands of the 21st century.



Photo by U. Odbayar

BY B. BAYARTOGTOKH

**W**ith the upcoming 10th anniversary of the Discover Mongolia Forum, the chairman of this year's organising committee, academic Punsalmaa Ochirbat spoke on what we can expect from this year's event.

**This year is the 10th anniversary of the forum. Looking back at its history over the last 10 years, what are some of your most precious memories from this event?**

The history text called Discover Mongolia is proof of Mongolia's free economy and its leap to attract foreign investment and international cooperation. It has opened many doors for Mongolia's minerals industry and has is responsible for about 90 percent of all investment over the last seven years.

Economic progress made in the last 10 years is partly the result of this forum.

**What was the outcome of the very first time this forum was organised?**

The very first Discover Mongolia forum was organised in 2002. It carried the aim of introducing the global market to Mongolia, particularly the minerals sector.

It inspired the image of Mongolia's minerals industry opening to foreign investors. The annual forum, with its motto "Make Mongolia Open to Global Investors", aims to reach this goal. We strive to develop international cooperation and attract foreign investment by making Mongolia more open to the global market.

You could say that Discover Mongolia first opened the gates to Mongolia's minerals sector to global financial capital. That should be valued most.

**Discover Mongolia has many "sister" forums. How does this year's forum set itself apart from previously held forums?**

Like Discover Mongolia, many international conferences have been organised in the fields of geology, coal and metals. The main theme to this year's forum is "From Exploration and Exploitation to Development".

**Many believe that with foreign**

**investment comes financial freedom, management and technological know-how. Have there been any technological innovations in the mining industry followed by increased and value-added production? How can the government support this sort of growth?**

Every investor tries to bring out the best results from his or her money. This is the rule. Thus, investors use leading technology and management practices. They choose the most profitable, secure market.

As we know and have witnessed, these principles were used when the Oyu Tolgoi, Ukhaa Khudag and Nariin Sukhait mines began their operations. These mines utilise the latest technologies and practices in the world. Methods such as the so called "tree roots" and "self-destructing" technologies were used in the exploration of Oyu Tolgoi. New technologies like closed water reservoirs for the protection of water sources from evaporation and contamination are being used now. Also, water circulation technology is being used to supply about 90 percent of water consumption. At Ukhaa Khudag, the enrichment factory there for coking coal has been commissioned to manufacture and trade its value-added products.

Mongolia has to find a solution for introducing smelting and refining gold and copper concentrates itself. Mongolia must resolve the issues on building coking factories. Also, it must find the mutual benefits in constructing a steel factory with China and India. To develop these issues, the government has to find suitable, basic solutions.

Government policy should be directed towards such projects. It cannot give a part of its income to parliament members and the rest to election promises.

**Is it necessary to put export taxes on mining products that are responsible for over 90 percent of total exports?**

Depending on the sale of certain mining products, export taxes could

be added. Coal and ore are examples of such mining products. Concentrates from copper and molybdenum in addition to powders from iron, spar, zinc, tin, wolfram and uranium; as well as refined gold, copper, zinc, tin, steel, wolfram, coking coal, gas, thermal coal and shale should not.

Taxes should be put on raw mining products. Added value products mustn't be taxed.

**The methods for development, economic analyses and the financing of the Sainshand Industrial Complex has already been cleared. Could it become an instrument to raising production in Mongolia to the next level? How can the state support this aim?**

First of all, the complex should rely on the resources of its raw materials. Second, it must be close to its basic structure. Third, infrastructure in regard to human resources and development is important. The question is does Sainshand fulfil these requirements?

There is no evidence that Sainshand can be looked at as an option for raising the level of production. Each and every raw material product has its own technical and economic criteria. When considering economical, ecological and security aspects, factories that produce hard minerals like ore and coal should be close to their mines, while oil refinement factories are best when close to their customers.

The solutions to these issues must be based on the study for choosing, producing and locating the best capacity for development. The solutions are not just left to us to decide upon.

**What are the current global trends for the mining sector? What stage is Mongolia developing according to that trend?**

Natural resources supply about 90 percent of all basic human needs. The world's population is increasing rapidly. Following this population growth, use of mineral and raw materials will increase as well, resulting in the depletion of these resources. Global mining production will have to rely on the countries with mineral resources. ►►

► This means the current of capital, technology and management will be heading towards that direction.

Technical innovation will be striving for eco-technology. In addition, energy sufficiency has become a global concern. Coal, shale, uranium, solar, wind and hydro renewable energies are the only solutions. Petroleum and natural gas resources are growing considerably small and their values are high. Thus, instead of using them as energy resources, it is more convenient to use them for chemical manufacturing.

Following these technical innovations, the demand for gold, silver, copper and rare earth metals will grow. In addition to this, projects for the mining of non-ferrous metals should be developed. The need for more metal facilities in developing and developed countries will rise as well.

There will be innovation in the construction sector too. The number of construction projects around the world is rising. Thus, there are plenty of opportunities to develop a metals industry in Mongolia. Mongolia's mining industry could make the country an "Asian tiger". Capital flows parallel to the market. Asia is determining the demands of the 21st century. Some of the possibilities for procurement are in Mongolia.

**Mongolia currently exports its mining commodities to China. Will any other gates to the market open for Mongolia?**

The guideline to the development of Mongolia's mining industry is to reverse the energy put into importing to Mongolia into the exporting from Mongolia, and to make mining operations more eco-friendly. In addition, it is important to develop the human resources within the minerals industry to raise them to global standards.

Dividing the income that comes from natural resources has always been something under dispute. There is practically no particular method to do so. Thus, the income should be distributed through social welfare.

Mongolia's decision to distribute a portion of its shares of its projects to citizens is a rather new concept to the world. It is up to the shareholders to decide how they are going to spend that fortune.

This forum is expected to deliver the new trends in mining production technologies. Issues related to turning mining revenues into factors for development will be discussed as well. Each and every aspect for collaboration to enact the enforcement of government policies will be exchanged. ■

## QUESTION OF "MONGOLIAN ECONOMY"

**The 10th Discover Mongolia international mining forum will be held this month. The following are the thoughts and impressions of its guests and organisers on the event and how they feel it has contributed towards the development of Mongolia.**



**Kathleen Morenski, Charge d'Affaires, U.S. Embassy in Ulaanbaatar:**

Discover Mongolia began 10 years ago, and the U.S. Embassy has attended each and every year. Our chief of mission, along with members of our Economic and Commercial Section, attends the exhibition. Our ambassador is often asked to address the conference delegates. By the time of the conference, our new ambassador should have recently arrived in country and would look forward to participating.

The U.S. Embassy in Mongolia sees Discover Mongolia as one of the premier mining conferences and exhibitions focused on Mongolia. It is the place to make new industry contacts and meet old friends; and it's the place to get the best information on the state of Mongolian mining, and where it is headed.

This year is no different. Certainly, for those in the United States who follow investments in extractive industries, Mongolia garners a great deal of attention, and Discover Mongolia is definitely on their calendar. Consequently, we expect a fair number of U.S. citizens to attend, particularly those involved in mining services and equipment sales. It's hard to give precise figures, but we expect at least 100 U.S. participants in this year's Discover Mongolia as exhibitors, conference delegates, and presenters.

Northeast Asia is one of the world's most economically important and vibrant regions. Political, economic, and commercial relations between Japan, South Korea, China, Russia, Mongolia and the United States present a unique set of often complex challenges. For the United States, long committed to global democracy, open markets, free trade, and national self-determination, interest in Northeast Asia is perhaps inevitable. Contact between Mongolia and the United States goes all the way back to the 19th century, so our involvement in this region is not new. Our growing trade with Mongolia attests to our interest in building deeper business and commercial ties that benefit both nations.

For example, U.S. companies are selling increasing amounts of advanced technologies and services into the Mongolian mineral and mining sector—the best and most efficient, safe, and environmentally friendly equipment and services to be found. Total U.S. exports to ►►

- ▶ Mongolia last year topped USD 300 million and we expect continued strong growth in 2012, making the United States one of the top three exporters to Mongolia. As the Mongolian economy grows and diversifies, U.S. companies hope to be the ones to meet Mongolia's needs.

The United States is also interested in major investment opportunities. You may know that one of our leading mining companies, Peabody Energy, in cooperation with the U.S. Embassy here, is seeking to join Mongolia in its efforts to develop the Tavan Tolgoi coal fields (TT). A major investment in TT that brings to Mongolia world class American technology and expertise in a multi-billion dollar long-term investment would give both countries the kind of signature investment that can enhance and transform our relationship.

It would create the kind of enduring economic, commercial, and people-to-people ties that we have found are essential between partners and pave the way for other opportunities.



#### **Wang Xiaolong, Chinese Ambassador:**

This year's mining exhibition is the 10th of its kind, which will surely bring great opportunities to all Mongolian and foreign investors for mining companies to come and get to know each other, exploring opportunities for cooperation.

This event has been gradually recognized as one of the most important international mining events in the world. So far as I know, a number of Chinese companies, including Hong Kong-based companies, have participated in past exhibitions. And I believe that as the Discover Mongolia mining exhibition grows, it will increase its appeal to Chinese companies.

Northeast Asia has huge potential for economic development. It has a broad market, abundant resources and energy, and strong processing and manufacturing capacity. The world is facing great economic pressure as the European debt crisis still lingers on. As the global economy sinks deeper into stagnation and even recession, Northeast Asian countries need to close their ranks by building confidence and working together to surpass the difficulties. China will work together with all the countries in Northeast Asia to push forward the integration process in the region and contribute more to promoting common, harmonious development here.



#### **Gregory Goldhawk, Canadian Ambassador:**

The Embassy of Canada will be happy to be present for the fourth time, this year. Discover is a must for anyone who wants and needs to be current on the projects and issues related to mining in Mongolia. The 10-year anniversary should provide a very interesting program, especially in view of the new and expected revised legislation to be adopted later this year.

As you well know, Canadian companies are and have been strong investors in the Mongolian mining sectors for years, with the goal of staying for the long-run and establishing durable partnerships in the country. Many are sponsors of the events, and representatives of these companies will be speaking at the conference.

Canadian mining companies are certainly quite present all over Northern Asia, as they are in Mongolia. Canada is happy to see its best standards and practices transferred wherever our companies are active to help foster the growth of sustainable development for the benefit of all. The Canadian framework on corporate social responsibility is being incorporated in national policies in the region.

Mongolia is a beacon of democracy and transparency in the region, one of the main reasons why it has so far been elected as a destination for Canadian investment. Stability is highly valued by investors, and Mongolia has shown its maturity through its most recent elections. We all expect it will continue to do so as it unveils its policies for the next 4 years.



#### **Lee Tae-ru, Korean Ambassador:**

The Discover Mongolia mining conference has taken its special place during the last 10 years. The growing number of Mongolian and foreign companies participating in this event demonstrates the growth of its good reputation.

In my opinion, the international conferences here open up the possibility of looking at the economic development of Mongolia. The main representatives of government and the economy gather to introduce their state policy on mining as well as the current standing of the mining business, and its further objectives. Their speeches and the workshops they organised contribute greatly to future work.

The conference is held during a period when the economic crisis affects countries such as America and Japan along the stagnating economic growth of China. Delegations from public institutions such as the Embassy of Korea, Korea Resource Corporation, and Korea Mine Reclamation Corporation as well as big corporations are interested in investment in the Mongolian economy and its mining sector together with ▶▶

- ▶ Korea's SMEs [small-medium enterprises] will take part in the event as is customary every year.

Mongolia is becoming better known in the world of minerals year by year. Korea has nearly no minerals. We import 97 percent of the raw material needed for production from abroad. We are currently cooperating with Australia, Brazil, Canada, and studying the possibilities for working with China and Indonesia. For Korea it is crucial to collaborate with Mongolia in the field of natural resources during a period when the issue of raw materials is becoming critical.



**Christopher Charles Stuart, British Ambassador :**

The British Embassy will be represented at the sector-leading event. It is not the number but the quality that counts and we do expect British companies to participate. The region is playing a pivotal role in underpinning and growing the world's economy. The British government recognise this and is greatly expanding its role and representation in the region.

**Houston Spencer, Vice President of Communications and Media Relations Department:**

Oyu Tolgoi is pleased to sponsor Discover Mongolia for the second consecutive year as it is one of the pre-eminent forums for promoting Mongolia to the world. Ten years ago, Oyu Tolgoi had only been discovered, but today we are weeks away from completing one of the most technologically advanced copper mines in the world.

We have completed construction ahead of schedule, and Oyu Tolgoi has already brought to Mongolia over MNT 900 billion.

In the coming years, the people of Mongolia will benefit from Oyu Tolgoi most of all, both directly and through employment, and the diversification of new Mongolian businesses. And it is forums like Discover Mongolia that show how all these developments come together to turn Mongolia's wealth into long-term prosperity.



**Arshad Sayed, President for Mongolia and India, Peabody Energy:**

Over the last 10 years, Discover Mongolia has helped build awareness of Mongolia's vast mineral potential. Now is the time to realise this potential by attracting Mongolia to the best standards that global companies like Peabody can bring to developing Mongolia's resources, particularly coal, in an integrated and sustainable manner so that the benefits continue to be enjoyed by not only this generation, but future generations as well.



**Lu. Gantomor, Member of Parliament:**

This meeting's importance is divided between government, the private sector, and the debates between investors. During the debate international and national investors exchange their experiences and present their new technology.

The decisions made at Discover Mongolia reflect state policy and the event gives exporters the chance to expand their relationships. And, most importantly, the meeting has become something Mongolia grows accustomed to. The Prime Minister's business board needs to do a better job, and it is important that government and parliament hear the opinions of business owners. Investment into the mining sector is on hiatus, and that is why we think we need to renew the standards of mining.



**S. Demberel, Member of Parliament**

To connect foreign investors with our own own investors, and by showing foreigners our government's plans, laws, and legal rights, we can make trust for future investment. And by explaining to foreign investors our investment laws and environment we learn the correct and stable conditions for a better environment and for a better future approach.

On the other hand, we gain experience and knowledge from foreign investors. Our new government and parliament have made long-medium-and short-term plans for developing its investment laws, legal rights, and investment environment so they are stronger.



**S. Ganbaatar, Member of Parliament:**

I am one of the supporters of Discover Mongolia. The main issue that currently confronts us is misunderstanding. The conference is a very proper event where mining representatives, investors, and the private sector gathers together and search for solutions together. The mining sector plays a big role in the economy and country's development. Thus, promoting foreign investment and its regulations is correct. Foreign investors attend the conference while citizens, business entrepreneurs, and the private sector talks about their cooperation and visions.



- ▶ On the other hand, the event provides a platform to distribute information about the legal environment of Mongolia and the potential sectors for investment to foreign investors.



**J. Batbileg, Head of Coal Conversion, Mineral Resources Authority:**

Discover Mongolia has played an important role in attracting big foreign companies to Mongolia by providing information. This conference has been followed by other conferences such as Coal Mongolia, and Mining Mongolia. Discover Mongolia is known worldwide, and the interest in attending is also growing. Its special character is its interesting presentations that are given with broad discussions about the issues within the mining sector. Conferences are one way to attract foreign investors. The world is interested now in our financial sector as well. Discover Mongolia is now focusing on the production of value-added products. In the future Mongolia will process raw materials and build factories for the processing of finished goods as well as introduce new technology.



**D. Galsandorj, President of Mongolian Exporting Community:**

Discover Mongolia contributes towards connecting the activities of local and international organisations working in mining and geology. However, the performance of the geology sector is falling behind the mining sector. In other words, all these reserves from mining are shrinking today. The Canadian, Australian, Japanese and Korean companies who are about to do exploratory work in our land are praiseworthy. Some of these companies will continue to work on some of the reserves discovered during the time of socialism. It has been suggested by international companies that we build power plants in Khuvsgul Aimag, near the coal reserves. Also, this event has contributed to the development of the mining sector for the past ten years. In the future it will be necessary to improve and update a range of development topics.



**B. Batmunkh, Head of the Board of Directors, Sharyn Gol**

We take part in this conference every year. This year we attend as gold sponsors. The event is one of the biggest for attracting investors to the mining sector. It has been fulfilling this role very well.

There have been many mining conferences and meetings held, but Discover Mongolia is the pioneer that involved the public and private sectors, society and international organisations. This time, the innovation expert of our board will give an interesting presentation about new developments at Sharyn Gol. For us, the event plays a crucial role because it celebrates with us the 90th anniversary of Sharyn Gol.

Laws related to foreign investment and mining are being approved, but from some points of view the laws drive away investors, causing trouble for some. For instance, the Law on Foreign Investment was recently implemented, but people have negative opinions on it. There is also another law, called the Law on Targeting Taxes.

The government should support the mining sector because it carries the economy of the country on its back during times of global economic instability. Otherwise, if the mining sector is put under the pressures of customs and taxes then it will become a big strike against the economy. Discover Mongolia should propose recommendations for the government and discuss policy well so it leads the mining sector over the coming four years.



**Jim Dwyer, The Business Council of Mongolia (BCM) Executive Director:**

BCM applauds Discover Mongolia! For 10 years, Discover Mongolia has consistently conveyed a positive message as to the need for foreign investment in the country's mining sector, Mongolia's primary engine for growth.

**Demir Yener, Senior Finance and Corporate Governance Advisor  
USAID Business Plus Initiative Project:**

Discover Mongolia is a very useful program that has the potential to support better recognition towards Mongolia for international investors. I think it should try to represent the following about Mongolia to the international community: business enabling environment; doing business in this country; taxation and customs; investor protections; disclosure issues; the rights and responsibilities of investors; expectations from investing companies; the qualifications of the Mongolian workforce; the general work habits of the Mongolian people as well as their ethics, traditions relative to work; and etcetera.

Education in Mongolia, the training and educational institutions here, and its international treaties are all areas that might be attractive to investors. Mining is not the only opportunity on this planet, and the program should represent Mongolia as a more diverse country with all its capabilities.



INVESTMENT

# WHO WILL INVEST IN MONGOLIA?

Around 98.6 percent of total exports are mineral resources. The mining industry provides nearly all of the state’s revenue and offers the highest salaries to its employees.

B. YARUU

Investment in Mongolia has increased rapidly over the past ten years, according to the Ministry of Finance. The ministry has also reported that investments have made up to 40 percent of Mongolia’s gross domestic product (GDP). Domestic investment comprises 40 percent while foreign investments makes up the remaining 60 percent of total investments.

The mining industry has begun to play an important role in the economy. The ice cap over Mongolia’s economy has begun to melt.

Mineral prices have risen worldwide over the last decade. In addition, it has introduced financial freedom while investments into Mongolia’s mines have rooted development know-how and experience. Will this convenient investment environment last? Investors might face a rough decade.

Around 98.6 percent of total exports are mineral resources. The mining industry provides nearly all of the state’s revenue and offers the highest salaries to its employees.

In addition, investment has brought major advancement into

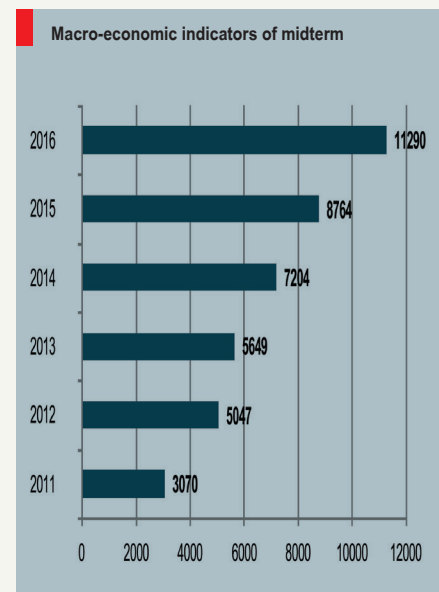
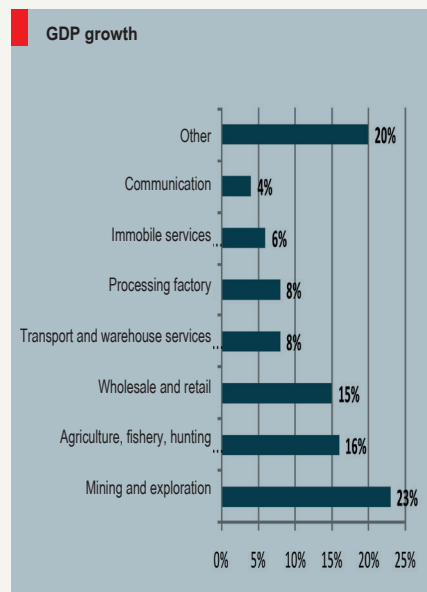
supply operations. The mining sector has employed over 50,000 workers.

“Economic growth has increased an estimated 7.8 percent over the last four years”, said the Ministry of Finance. “GDP per capita has reached USD 3,000 while total product circulation has doubled. Mongolia’s foreign exchange resources have quadrupled since 2008”.

The mining sector has driven average economic growth to 7 percent over the last six years. In

addition, it accounts for up to 40 percent of GDP. The last decade has been an era of growth and development. However, the next ten years could be less fortunate. The Law on Foreign Investment Sectors of Strategic Influence could provide some solutions.

As predicted by Metals Economics Group, China has managed to acquire investments worth USD 611 million, ranking seventh in the world. Mongolia listed at 25th place, collecting USD 107 million in foreign



Source: FIFTA



Photo by B. Byamba-Ochir

► investment, said economist D. Jargalsaikhan.

In 2011, 20.2 percent of GDP, 69.6 percent of total industrial production and 89.2 percent of export products were derived from the minerals sector. Mongolia produces gold, copper, coal, fluorspar, zinc, iron ore and wolfram. Of those exports, copper concentrate, cathode copper, molybdenum, copper, iron ore and zinc concentrate export to China, while fluorspar concentrate is sent to Russia, the United States and Ukraine. Gold is exported to Canada, the United States, Great Britain and China.

The aim to establish gates to new markets is quite challenging because the nation's legal environment is inconvenient to investors.

"The law [on foreign investment] itself infringes on

the economic security of the export market. Investors need a sustainable, certain and fair service environment", said N. Alгаа, executive director of the Mongolian Mining Association. "Taxes must be affordable and bureaucracy should be kept to a minimum".

Mining companies contribute to the local and national economy through over 20 different types of taxes paid. Royalties amounted to MNT 3.1 billion in 2002, MNT 3.5 billion in 2003, and MNT 8.2 billion in 2004 for a total of MNT 19.2 billion paid to the state. In 2004, MNT 271.5 billion was collected for the state budget; of which MNT 62 billion came from income taxes, MNT 23.9 billion was royalties and MNT 7.2 billion was for the cost for land and water use.

Although the investment

wave only flows towards the mining industry, other sectors such as construction, supply and services have also benefited. Around 90 percent of all foreign investments is directed to the mining industry. Transparency International reported in a recent study that Mongolia ranked third in investments and listed it as one of the countries that taxes the least in the world, with taxes of just 10 percent on businesses.

Mongolia would like to welcome its foreign investors, but the foreign investment law was more than a little surprise to investors working within the sectors that fall under its scope. Mongolia needs economic freedom along with investment. Thus, enforcement of this law might be only temporary. Financial freedom for investment is the oxygen Mongolia's mining industry breathes. ■

## STATISTICS

***Mongolia's foreign direct investment has grown from USD 172.51 in 2002 to USD 4.986 million. Currently nearly 75 percent of foreign investment comes from the mining sector.***

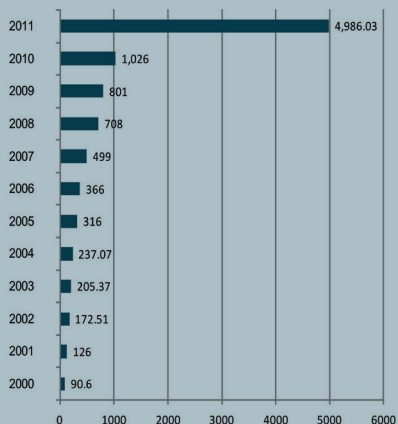
**Number of Companies with Foreign Direct Investment, Registered in Mongolia (by sectors)**

Sectors	1990-2004	2005	2006	2007	2008	2009	2010	2011	Нийт
Trade, restaurant service	969	522	1,112	1,505	1,515	572	731	872	7,798
Geology, mining exploration and operation	272	27	22	23	4	12	14	22	396
Civil engineering, production of construction material	327	15	14	20	4	6	-	1	387
Tourism	176	57	35	23	12	1	2	6	312
Light industry	167	7	14	1	1	-	-	-	190
Food production	172	5	2	-	-	-	-	-	179
Raw material processing from animal husbandry	149	4	7	4	-	-	-	-	158
Transport	101	7	3	1	1	2	3	9	127
Information, technology and communications	72	7	11	7	6	2	1	-	106
Agriculture, cattle breeding	86	8	5	1	-	1	1	4	106
Furniture, wooden goods	71	2	4	-	-	-	-	-	77
Arts and culture, education, science, printing	60	1	3	-	-	-	-	1	65
Banking and financing	36	2	5	7	4	2	2	2	59
Health, cosmetics services	47	1	2	-	1	-	1	1	53
Energy	39	4	1	-	-	-	-	-	44
Public household services	36	2	2	-	-	-	-	-	40
Production of electronic goods	23	3	3	-	-	-	-	-	29
Production of household goods	21	-	-	-	-	-	-	-	21
Jewelry, souvenirs	7	-	1	-	-	-	-	-	-8
Other	860	297	262	21	3	15	14	15	860
<b>Total number of companies</b>	<b>3,961</b>	<b>971</b>	<b>1,505</b>	<b>1,609</b>	<b>1,551</b>	<b>613</b>	<b>769</b>	<b>933</b>	<b>11,642</b>

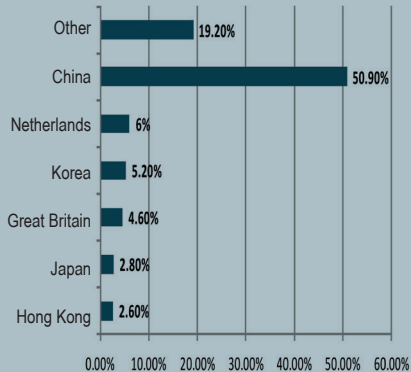
**Foreign Direct Investment, Registered in Mongolia**  
The top five countries for investment into Mongolia by volume

By countries	1990-2004	2005	2006	2007	2008	2009	2010	2011	Total
China	441,786.38	227,922.28	172,014.03	339,614.67	497,800.88	613,058.80	176,038.36	1,015,265.04	3,483,500.44
Netherlands	5,265.58	221.70	475.86	58.50	4,069.20	51,028.60	232,962.18	1,816,714.10	2,110,795.73
Virgin Islands (UK)	48,394.23	5,033.92	6,111.67	35,449.00	6,157.89	19,305.18	101,986.27	610,933.11	833,371.25
Luxemburg	2,911.70	1,809.30	10.00	3,118.917	195.80	1,012.65	25,589.47	476,652.07	511,299.92
Singapore	8,513.28	4,645.78	728.60	700.00	32,339.86	9,359.44	31,075.00	402,738.17	490,100.13

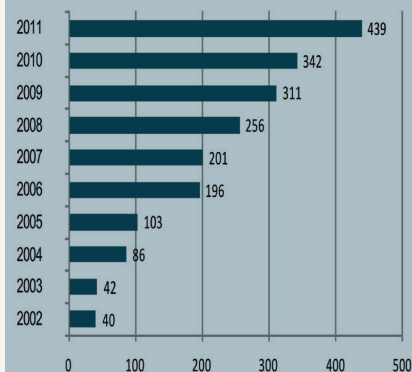
Foreign Direct Investment (by years)



Foreign Direct Investment /by countries/ (1990-2010)



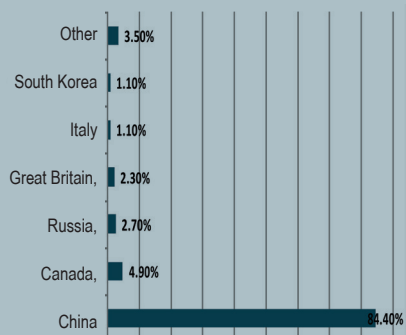
Investment made in mining sector (USD millions)



Main export products /USD millions/

	2008	2009	2010	2011	2011/2010%
Copper concentrate	835 6666	501 924	770 595	963 596	25.0
Cathodal copper	18 526	11 850	20 357	21 028	3.3
Hard coal	182 437,3	305 728,3	874 565	2 239 322	156,0
Iron ore, concentrate	92 285	88 770	250 942	437 328	74,3
Zinc ore, concentrate	154 617	122 494	134 135	142 678	6,4
Molybdenum concentrate	82 344	50 309	51 992	46 394	-10,8
Fluorite	59 197,2	48 223,9	63 196	94 877	50,1
Pure gold	599 883	308 473	178 320	113 047	-36,6
Crude oil	101 937	115 633	154 937	252 192	62,8

Export products (by countries) December 2010



Main production of mining, and exploration sectors

Products	Measure unit	2008.I-VII	2009.I-VII	2010.I-VII	Changes /by percent/
Coal	Thous. tonnes	5100.9	6 346.0	11 615.4	83.0
Petroleum	Thous. barrel	617.8	757.3	1 247.6	64.0
Copper concentrate /35%/	Thous. tonnes	208.2	207.7	208.4	0.3
Molybdenum concentrate /47%/	Tonnes	2 328.0	2 814.0	2 765.6	-1.7
Gold	Kg	7 923.4	4 833.3	3 429.3	-29.0
Iron ore	Thous. tonnes	81.0	772.3	1 264.7	63.8
Field spar	Thous. tonnes	82.7	61.4	85.4	39.1
Zinc concentrate	МЯН.ТН	85.9	76.4	67.2	-11.9

Source: FIFTA

## LEGISLATION

**REGULATING FOREIGN INVESTMENT**

BY B. KHURTS

*According to a summary of Mongolia's national security principles, "Foreign investment from a country must not exceed a third of total foreign investment. Investments in foreign state-owned companies will be limited, and a balance must be maintained regarding investments into strategically important sectors from neighbouring or developed countries".*

*In May 2012, just before this year's election, parliament ratified the Law on Foreign investment in Sectors of Strategic Influence, the gist of which is reflected in the summary above. Everyone has drawn their own conclusions on the limits by the state to foreign investment. Limitations are placed specifically on sectors of strategic influence, defined by the law to be mineral resource, banking and finance, information technologies and communications.*

*A sustainable investment policy might encourage growth or it could let investment slip in Mongolia. Businesses operating within the designated sectors of influence and valued at or above MNT 100 billion are prohibited from selling more than 49 percent interest to a foreign entity without approval from Parliament.*

*A team from the Ministry of Foreign Affairs and Trade that is headed by N. Enkhtaivan, director of the Department of Foreign Trade and Economic Cooperation, is preparing to introduce a new regulation that falls under the scope of this law.*

**The following are various opinions on the matter:****National and civil interests must be a priority – Ts. Elbegdorj, (President of Mongolia)**

At first we needed to be more open. Now Mongolia, especially its mining industry, has come at the centre of global attention. National and civil interest must be a priority. This is what we administer. We lacked financing before. Our future policy must balance these two factors.

Issues on foreign investment and regulations on investment by state-owned enterprises have been discussed for three years. A law on this matter had been introduced. It is only that the solutions came out a bit late.

It is now that we have started to take the matter seriously, after the Chalco issue arose. We cannot have restrictions only on property owned by the state. Such regulations must be enforced on properties that foreign state-owned entities own as well. These kinds of regulations are not taken only in Mongolia, but also in countries with powerful, free economies.

I cannot say that it is the best law possible because there

are certain things that can be criticised, too. However, there are plenty of opportunities for improving the law. It is the first time that a regulation has been passed in Mongolia where investors were allowed to express their opinions on the matter.

**It is easy to release foreign investment, but difficult to rein it in – D. Jargalsaikhan (Economist)**

Foreign state-owned companies cannot be involved in foreign investments, and that way was the right choice. According to the law, foreign investments must be approved before entering Mongolia. The law did not include any statements on how or when such approval would be granted.

It is a part of the policy to limit foreign investment into these sectors. Development of a country depends on foreign investments. In order to compete on the global stage, we need technological and managing know-how in addition to investment. However, we cannot afford all this. Those necessities come along with companies.

There is not enough capital in Mongolia. It is easy to release foreign investment, but difficult to rein it in. Governance from the public in Mongolia is not very good at the moment. Corruption is at every corner. There has been talk about eliminating corruption, but nothing's changed so far.

The initiators of this law tried to set greater regulation in some sectors. But we need that investment to develop our country because Mongolia does not have enough capital and its chief domestic assets are hidden beneath the ground. Exploiting, trading and turning [mineral wealth] into national capital will require time, knowledge, competency and money.

Of course, national security is important but we cannot take steps against [investment] in the name of national security.

**Mongolia should somehow protect its national interest – Jimmy Barr (Lawyer at Hogan Lovells law firm)**

I believe and heard from others that the law has been quite controversial. It was introduced right after China's state-owned company Chalco offered to buy shares from SouthGobi Sands. Many other countries have similar laws that have been enforced successfully.

I completely understand the reasons for ratifying this law. Mongolia should somehow protect its national strategic interests. Mongolia's mining sector has especially great strategic influence. However, there are certain things that are not clear. For example, I don't understand why financial organisations and banks are included in the law. I don't think the banking sector has much strategic influence. It's important ►►

▶ that a mechanism be flexible and malleable.

Take Great Britain for example: The country's government enforced a privatisation programme 30 years ago. In doing so, officials ratified a law preventing foreign investors from having control over companies. However, the British government realised that it was not important whether or not companies had foreign ownership. So the law was made less strict. Likewise, this law will demonstrate what it's gotten right and wrong.

A strong regulation will require time for implementation. Thus, give it some time. Don't rush to have such laws passed in just a day. It should be discussed and developed carefully. Ratifying strong legislation means dedicating the amount of time it needs for its development.

If a weak law is legalised, no one will show it respect nor will they obey it. It will also push away investors. The government should make careful examination to ensure that the legal environment is convenient for both foreign and national investors.

**No one would want to invest in Mongolia if investors had to pass through parliament – D. Achit-Erdene (President and Chief Executive Officer of Mongolia International Capital Corporation (MICC))**

The Law on Foreign Investment to Sectors of Strategic Importance has limited foreign investments in the mining industry, banking and financial sectors as well as the information technology and communication sectors. As a result, market development of those sectors has been weakened and their economic benefit reduced.

Laws related to a nation's economy have to have a clear, well-analysed legal environment. Those laws have to be well-suited and cannot be greatly influenced. Countries with great economic development have a so-called foreign investment council. Mongolia has no specific method for enforcing the law and ensuring its compliance. In short, the government has ratified a law with no specific aim or goal.

First of all, intervening in sectors with businesses already running successfully is wrong. Second, involvement of the government in these sectors increases the risks of delaying



business, and increasing bureaucracy and corruption. Laws relating to the mining industry should be focusing on exploration rather than exploitation. Then again, regulation to exploration could lead to huge losses as well.

For that reason government involvement should be kept to a minimum. It would be fair to leave market responsibilities to the private sector rather than government. If government's involvement increases with this law, the number of players in the investment field will shrink. If Mongolia possesses 51 percent of total interest and parliament must have its say, then not a single investor would want to invest in Mongolia.

**Limiting investment won't cause any trouble – D. Galsandorj (President of Mongolian Exporters' Association)**

It is not completely wrong to regulate the mining industry, the finance and banking sector, and information technology and communications. Such laws and regulations exist in every country.

It is good that we have one now. Its legal environment has to be sustainable and clear. This regulation won't affect investment in the sectors specified by the law. Profitable investment won't leave Mongolia for good. I don't think the economy would suffer or investments would decrease. The law won't cause any trouble by limiting investments.

We are the ones who are being hysterical about it. Mongolia needs investment, for sure. The mining industry, infrastructure, information technology and communications need investment the most. For that reason, all the money that is pouring in must be regulated somehow.

Yet, this ratified law is still incomplete and hard to get a grip on. For that reason, it must be carefully analysed. Its content and aims have to be specified and made clear. The sale and trade of companies listed on foreign stock markets must be transparent. Both trade and transfer must be transparent as well. This is the policy.

**It's like ripping out the red carpet from beneath the feet of investors – Michael Adlrich (Partner at Hogan Lovells law firm)**

One of the most difficult things to deal with from Mongolian parliament is its reactionary responses. The reaction to Chalco is a great example of this.

Sudden reactions are not a suitable way to enforce a law. Instead, it would be better to work to ratify a law that is sustainable. The law on foreign investment delivers an uncertain, negative message to investors. The law says, "Invest in Mongolia, but follow these vague rules or you will be punished".

The main idea behind the law is great, but its legal environment requires clarification to those incomprehensible regulations. You could say that the law is ripping out the red carpet from beneath the feet of investors. There are so many things left undecided. No investor likes to be involved in an unclear environment. ■

OYU TOLGOI

## FROM GROWTH TO DEVELOPMENT

Detailed economic research from the School of Economic Studies at the National University of Mongolia (NUM) and Australia's BA Economics consulting company writes Oyu Tolgoi will directly be responsible for 35 percent growth to the economy.

BY B. ALTAI

Mongolia has become commonly known for its top ranking, rapid economic growth. Transnational companies are in search of proper settlement in Mongolia. The mining industry, including Oyu Tolgoi with its biggest untapped gold and copper resource in the world, has brought Mongolia to the world's attention. Oyu Tolgoi, which is set for a lifetime of at least 50 years, has established a new image and standard for Mongolia's economy.

The Oyu Tolgoi project has become a major source for new jobs in Mongolia. Currently, the Oyu Tolgoi mining company is the biggest employer in Mongolia as well as the best tax payer and a practitioner of social responsibility.

Detailed economic research from the School of Economic Studies at the National University of Mongolia (NUM) and Australia's BA Economics consulting company writes Oyu Tolgoi will directly be responsible for 35 percent growth to the economy and comprise 30 percent of government revenue. That corresponds to an income of MNT 800 billion a year during

development and MNT 1.3 trillion at peak production.

Without Oyu Tolgoi Mongolia's economy would have growth of only 7 percent before 2020. With the start of production at the Oyu Tolgoi project, the economy is expected to expand by 12.7 percent.

Before production has begun investments worth MNT 7.8 trillion were added to Mongolia's economy. Oyu Tolgoi has paid an advanced fee of MNT 300 billion and it will have paid around MNT 900 billion in taxes and fees to the state before production begins in 2013.

Currently, Oyu Tolgoi employs 9,621 Mongolians who work there to lend their helping hands to their country's development. The company has completed over 90 percent of its construction and has made purchases of over MNT 1.7 trillion from over 1,000 companies. Oyu Tolgoi does not limit its operations to mining. The company has invested MNT 110 billion in Mongolia's education sector to prepare the future working force of Mongolia. Mongolia is heading from growth to development.



### Facts about Oyu Tolgoi:

- Over MNT 7.8 trillion – The amount to be invested before the Oyu Tolgoi mine is commissioned in 2013.
- MNT 4.5 trillion – The amount that was invested in Oyu Tolgoi project by the end of 2011.
- MNT 320 billion – The amount in royalties paid by Oyu Tolgoi to the Mongolian government. »



Photo by B. Byamba-Ochir

- MNT 900 billion – The amount of taxes to be paid by Oyu Tolgoi investors before the mine's commission.
- MNT 10.4 billion – The amount of money spent on purchases and services every day.
- 30 percent – The percentage of the government's income from Oyu Tolgoi, totaling MNT 800 billion each year.
- 35 percent – The portion of Mongolia's gross domestic product (GDP) that Oyu Tolgoi is expected to contribute once the mine is operating at full capacity.
- 9,250 – The number of Mongolian employees working at the Oyu Tolgoi project.
- 3,000 – The expected number of Mongolian workers at Oyu Tolgoi in 2013.
- No less than 75 percent – The portion of part-time Mongolian workers to be hired for Oyu Tolgoi.
- No less than 70 percent – The percentage of Mongolian engineers to be hired at Oyu Tolgoi.
- 55 percent – The percentage of total profits the Mongolian government is to receive from taxes and royalties, according to the International Monetary Fund. ■

SHALE

## THE AGE OF SHALE

With reserves of crude oil and raw coal set to expire within the next 120 years, the world searches for the latest energy source—one perhaps Mongolia can tap into.

BY B. ENKH-AMGALAN

According to the World Coal Association, there are at least an estimated 847 billion tonnes of proven coal reserves worldwide that would last around 118 years at the current rate of consumption. In contrast, proven oil and gas reserves are projected to last around 46 to 59 years. If so, it raises the question of what humankind can replace coal, crude oil, and natural gas reserves with. One answer is shale.

The former head of BP, Lord Browne, said at the Resource 2012 forum on water, food and energy scarcity that the development of shale oil and gas was “quite extraordinary”, and that the world was now entering the “latest age of primary energy”. It is now becoming clear how important the future role shale will play in the world energy market.

A recent change in the mining world shows that shale is hot. The biggest deposits of shale are in Australia, Brazil, Argentina, China, Estonia, Israel as well as Jordan and the United States. Recently world media reported the latest discovery of shale by the United Kingdom.

Offshore reserves of shale gas held by the United Kingdom could exceed 1,000 trillion cubic feet (TCF) compared to current rates of gas consumption there of 3.5 TCF a year, or five times the latest estimate of onshore shale gas of 200 TCF. Reserves of 200 TCF would put the United Kingdom in the top 20 countries with the highest shale reserves, alongside Brazil. The discovery of 1,000 TCF would put Britain on par with China, the United States and Argentina, top dogs in the potential for global shale reserves.

Currently, countries such as Estonia, the United States, Brazil, and China are extracting shale to process it into the petroleum-like liquid to run their power plants. Whereas, Estonia, located on the west bank of the Baltic Sea, has no other minerals than shale and is thus forced to burn shale exclusively to run its power plants.

Jordan has partnered with Estonia's Eesti Energia AS on the construction of a 460-megawatt shale-oil-burning power plant, the »



- ▶ Jordan Times reported. The plant, due for construction in central Jordan within the next four years, will run on shale oil produced at the Enefit processing plant there that is also under development by Eesti Energia.

According to Goldman Sachs, by 2017 the United States, which spends over USD 300 billion on crude oil imports a year, plans to phase out its dependence on Saudi Arabia by 2017 with the production of 10.9 million barrels of shale oil, and then foreign-oil dependence all together by 2030.

Meanwhile, leading oil services firm Baker Hughes warns that the boom of drilling activity experienced at the shale oil fields of North Dakota and south Texas could slow if U.S. prices drop below \$80 a barrel.

It is estimated that there are over 600 shale deposits that have been discovered.

Russian researcher E. Volkov once concluded, "From the research, it is estimated that world shale reserves contain 550 to 630 billion tonnes of synthetic oil. It means that shale oil reserves are four times larger than crude oil reserves".

But does Mongolia have a chance to enter the shale market? While fully dependant on crude oil imports, Mongolia has over

60 shale deposits at Hogshin Orkhon, Baynjargalan and Soums in Dundgobi Aimag alone. Mongolia's main reserves are found in Dundgobi, Dornogobi, Umnugobi, Sukhbaatar, Khenti, Tuv, Uvurkhangai, and Bayankhongor Aimags. Geologists estimated that Mongolia's shale reserve stood at 20 million tonnes during the 1980s. But it is apparent that shale geological research is at its infancy stage. Specialists say that research related to shale must be further explored and more details are needed before anyone can know whether the proposition has economical potency. But some private companies are interested in shale and have started cooperating with foreign companies to research known deposit sites.

Mongolia currently does not have any policy on how to manage a shale industry, but shale has become a hot topic for the Ministry of Mineral Resources and Energy.

"Shale needs to be listed among the strategic minerals of the country. We need to support every possibility that can give us a chance to produce oil products domestically and release us from the crude oil dependency on foreign countries" said parliament member G. Bayarsaikhan. ■



## DISCOVER MONGOLIA - 2012 MINING CONFERENCE AGENDA

<b>Wednesday, August 29, 2012 (On site registration)</b>
<b>On-site Registration</b>
<b>Thursday, August 30, 2012 (DAY-1)</b>
<b>SESSION ONE: KEYNOTE SESSION</b> Chair: Mr. Ochirbat.P, First President of Mongolia, Chairman of the Organizing Committee
H.E. P. Ochirbat: First President of Mongolia, Chairman of the Organizing Committee <b>"From Discovering to Developing"</b>
Mr. Karr McCurdy: President and CEO, Behre Dolbear Group <b>"Impact assessment methodology of the mining sector on the economy"</b>
Mr. Peter Nicholls: Vice President, Oyu Tolgoi LLC <b>"Oyu Tolgoi Development: Pride of Mongolia"</b>
Mr. L. Zoljargal: Deputy Governor, Mongol Bank <b>"Impact of the Mongolian mining sector on the Mongolian economy and monetary policy"</b>
Ambassador Urban Rusnak: Secretary General, Energy Charter <b>"North east Asia's energy demand and supply"</b>
<b>COFFEE &amp; TEA BREAK (End of SESSION ONE)</b>
<b>SESSION TWO: EXPLORATION</b> Chair: Mr.Jargalsaikhan.D, President, MIH group
Mr. Peter Akerley: President & CEO, Erdene Resources Corp <b>"Altan Nar: A New Gold Discovery in Southwestern Mongolia"</b>
Mr. David Paull: Managing Director, Aspire Mining Ltd <b>"Putting the north on the map"</b>
Dr. Andrew Stewart: Manager Mongolia and Chief Geologist, Xanadu Mines Ltd <b>"Building a leading copper-gold company"</b>
Mr. D. Jargalsaikhan: President, MIH group <b>"Exploration experience"</b>
Ms. B. Oyungerel: Consultant Resource Geologist, Snowden Group <b>"CRIRSCO and Mongolia"</b>
<b>Q&amp;A, Panel Discussion,</b>
<b>LUNCH BREAK (END of SESSION TWO)</b>
<b>SESSION THREE: MINING OPERATION</b> Chair: Mr.Damba.D, President, Mongolian National Mining Association
Mr. Matthew Gili: COO, Oyu Tolgoi LLC <b>"First Ore"</b>
Mr. G. Battengel: CEO, Energy Resources LLC <b>"Operating a Coal Mining Project in Mongolia: Opportunities and Challenges"</b>
Mr. Graeme Hancock: COO, Erdenes MGL <b>"Recent Developments at the Taval Tolgoi Coal Project"</b>
Mr. Graham Chapman: Member of Board, Sharyn Gol JSC <b>"Sharyn Gol: A New Dawn"</b>
Dr. Ian Runge: President, Runge Limited <b>"Mine economy"</b>
Mr. D. Damba: President, Mongolian National Mining Association <b>"Challenges and issues in Mining sector"</b>
<b>COFFEE &amp; TEA BREAK (End of SESSION THREE)</b>
<b>SESSION FOUR: MINERAL RESOURCES DEMAND AND SUPPLY OUTLOOK IN NORTH EAST ASIA</b> Chair: Mr.Turbat.D, CEO, Behre Dolbear Mongolia
Mr. Kuleshov Vladimir Vladimirovich: Director, Institute of Economics and organizing of the industrial production <b>"Mineral resources demand and supply outlook in Russia"</b>
Dr. Gyeng Chul Kim: President, the Korea Transport Institute <b>"Mineral resources demand and supply outlook in Korea"</b>
Mr. Yoshiaki Nishimura: Director, Economic Research Institute for North Asia (ERINA) <b>"Mineral resources demand and supply outlook in Japan"</b>

Dr.Qiren Zhou, Director, China Center for Economic Research <b>"Mineral resources demand and supply outlook in China"</b>
Ms.Uyanga.M, CEO, Ernst & Young Mongolia <b>"Business risks in mining and metals 2012-2013"</b>
<b>Q&amp;A, Panel Discussion,</b>
<b>WELCOME RECEPTION</b>
<b>Friday, August, 31, 2012 (DAY-2)</b>
<b>SESSION FIVE: INFRASTRUCTURE</b> <b>Chair: Ms.Sodontogos.E, Director of Corporate Affairs, Newcom LLC</b>
Mr.Choi Jong Kook, Head of Credit Department, Development Bank of Mongolia <b>"Financing Mongolia's Infrastructure needs"</b>
Mr.Purevbayar.D, Executive Director, Ministry of Mineral Resources and Energy, Energy policy department <b>"Development of energy supply"</b>
Mr.Tseveenjav.D, Director General, Government Implementing Agency, Mongolian Customs General Administration <b>"Border Crossing"</b>
Mr.Cameron Dorr, General Manager Asia, Sedgman LLC <b>"Coal handling and Preparation plant delivery in Mongolia"</b>
Mr.Enkhbaatar.B, PMU Director, Mining Infrastructure Investment Support Project <b>"TBA"</b>
<b>COFFEE &amp; TEA BREAK (End of SESSION FIVE)</b>
<b>SESSION SIX: DEVELOPING THE MINERAL RESOURCES</b> <b>Chair: Mr. Alгаа.N, CEO, Mongolian National Mining Association</b>
Mr.Anton R.Dammer,Senior Advisor, Genie Oil and Gas, Inc. <b>"Development of oil shale resources: Opportunities, challenges and requirements"</b>
Mr.Zoljargal.J Director of technology and research faculty, MAK <b>"Coal to liquified gas"</b>
Mr.Rakesh Kulshreshtha, Executive Director, SAIL /Corporate Planning/ <b>"Steel production in Mongolia"</b>
Dr.Viktor Andrejev, Director, Virumaa College, Tallinn University of Technology <b>"Shale"</b>
<b>Q&amp;A, Panel Discussion,</b>
<b>LUNCH BREAK (END of SESSION SIX)</b>
<b>SESSION SEVEN: LEGAL AND TAX ENVIRONMENT</b> <b>Chair:Mr.Jim Dwyer, Executive Director, The Business Council of Mongolia</b>
Mr.David Wyche, Chief of Economic/Commercial Section, US Embassy Mr.James Liotta, Partner, MahoneyLiotta LLC Mr.Jargalsaikhan.D, Columnist and "Defacto" Interview host on NTV Ms.Onchinsuren.D,Country managing partner, Deloitte Onch LLC
Mr.James Passin,Fund Manager, Firebird Management LLC <b>"Introducing modern and international business practices into legacy mining companies"</b>
<b>COFFEE &amp; TEA BREAK (End of SESSION SEVEN)</b>
<b>SESSION EIGHT: GOVERNMENT HOUR</b> <b>Chair: Mr.Damba.D, President, Mongolian National Mining Association</b>
Government of Mongolia
Ministry of Mineral Resources and Energy
The Implementing agency of Mongolian Government, Mineral Resource Authority
Mongolian National Mining Association
<b>CLOSING OF THE FORUM</b> <b>H.E Ochirbat.P First President of Mongolia, Chairman of the Organizing Committee</b>
<b>"Closing remarks"</b>
<b>GALA DINNER</b>

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## CSR STUDY TOUR REPORT

**GLOBAL CITIZENS**

*O. Batbold, CSR expert at GIZ's IMRI gives a presentation about the Mongolian mining sector to the German business entrepreneurs. KIT, Karlsruhe*

“It is utterly important to understand the strategy of the company in order to fulfill the corporate responsibility policy”, said Kusterer. “We contribute to society, with technology, know-how and innovation”.

*Continuation of the previous issue №13 (023)*

BY KH. KHULAN

The Corporate Social Responsibility (CSR) tour was organized by the GIZ's IMRI. It was attended by a delegation of Mongolian mining companies enabling them to study the social responsibility practices of Germany's leading companies from a range of sectors including the mining and heavy industries. Corporate practices vary and many German companies have worked out their own individual CSR strategies that are tailored to their business activities.

**IBM: THINK!**

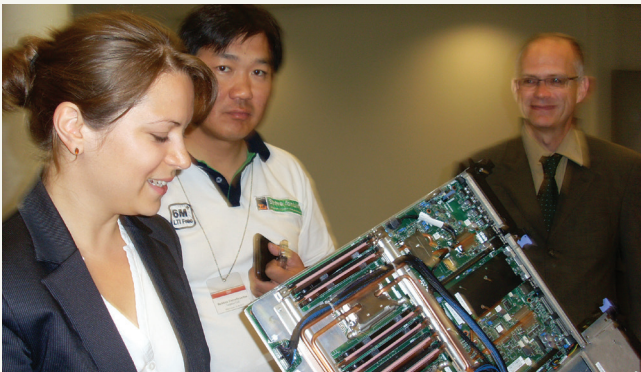
What is most important to any IT company? One true story provides an answer to this question. Around 100 years ago, the businessmen of United States' largest corporations met on a dark winter day. They used to meet every morning

at eight o'clock to talk about the latest developments and share ideas. But one day no topic for discussion came to mind.

Thomas J. Watson stepped up to the podium and said, “The trouble with every one of us is that we don't think enough”. At that time, Watson worked as a marketing manager for the National Cash Register Corporation in Dayton. He conceived a simple, yet sophisticated motto “Think”. Later he would become the chief executive officer of IBM.

Today, 400,000 innovative IBM employees work around the globe. IBM was able to become the king of information technology worldwide because its employees could think creatively.

When the delegation visited the IBM office in Ehningen, they were first introduced to its research in ▶▶



Introduction of IBM products in Ehningen.  
From right: Peter Kusterer, head of corporate citizenship IBM

▶ the health care sector. The company pays special focus to research, investing USD 6 billion a year into its health care research. Researchers from IBM continuously run tests in nanotechnology, the diagnosis of rare diseases, supercomputing, and silicon-chip technology—all for the well-being of humankind. It also led the world in cloud computing technology.

An information technology company can also operate with “green concepts”. The employees are allowed to work from home or anywhere else in the world using its corporate network. Two-third of IBM’s employees has chosen to work from outside the office.

For instance, Peter Kusterer, head of Corporate Citizenship at IBM, comes to work later on Monday. Instead of sitting in a car, stuck in traffic during the morning rush hour, he checks his email along with his other assignments for the day at home. Kusterer prefers to come up with strategies and concepts as well as developing presentations at home.

Big corporations receive regular requests for donations and support. It is the same all over the world. IBM limits its responses to such requests. For instance, IBM made its policy not to support any sporting activities.

“It is utterly important to understand the strategy of the company in order to fulfill the corporate responsibility policy”, said Kusterer. “We contribute to society, with technology, know-how and innovation. Don’t come to IBM to ask for money”.

The company conducts numerous activities dedicated to the welfare of society in addition to the development of its new products. IBM’s employees contribute to society as individual volunteers as well as IBM’s collective staff.

Some are involved in a programme where they are deployed to help solve problems in developing countries. IBM has sent 1,400 of its employees to work in more than 20 countries around the world and cooperate with local governments. For example, a team from IBM worked in Ho Chi Minh to solve major challenges facing the city such as food safety, water management, transportation and the development of a high ecological system.

One city wanted to open a childcare center for children up to age three, but could not find the financing. An IBM software engineer brainstormed ideas with his colleagues. He prepared a brilliant presentation on how businesses

could help finance the project. After he had presented the idea to all the small businesses in the city, he had collected the money the project needed.

IBM donates computers loaded with special software to kindergartens and schools. These computers are designed to teach shapes, colours, numbers, letters, and even corrects pronunciation through its voice recognition technology.

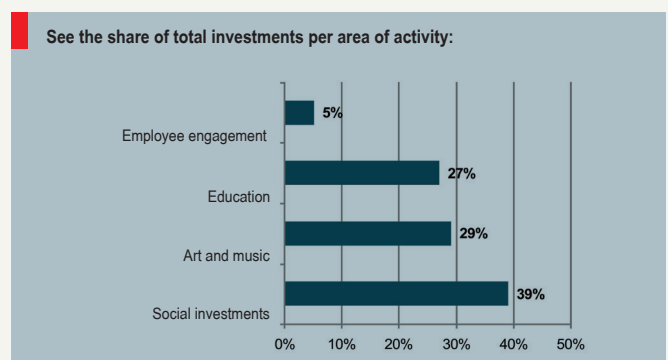
Also, IBM’s World Community Grid programme uses the idle processing power of computers to help power the research work. All anyone needs to do is just download a programme.

## Building Social Capital: Deutsche Bank

On the fifth day of the CSR tour, the delegation arrived in Karlsruhe, the region in Germany where the information technology sector dominates. It was there that the renowned engineer Carl Friedrich Benz was born in 1844.

Representatives from Mongolia’s mining companies arrived at Deutsche Bank after visiting Karlsruhe’s Chamber of Commerce and Industry. Framed pictures decorated the walls of the bank’s interior on every floor. These pictures are changed every two years, Michael Speck, director of Global Transaction Banking in Karlsruhe, told the delegation. Supporting the arts is part of Deutsche Bank’s CSR strategy.

The main objective of its CSR strategy for society and its future is to build social capital. In 2011 the bank invested 83 million euros (USD 102.9 million) as part of its corporate social responsibility efforts.



For Deutsche Bank and its more than 100,000 employees in 72 countries, education is the key word. It provides education for talented children and young people who lack opportunities. For instance, Mary-Louise Gray, the global transition lead at Deutsche Bank in London, became a mentor to 19-year-old Vivian Okor. Thanks to that help, Vivian could study sociology and applied for grants for her education. Now Vivian is completing her studies at Leicester University.

The social programmes of Deutsche Bank help overcome unemployment and poverty as well as improve the infrastructures of low-income communities.

The bank installed a 122-kilowatt solar panel system 244 meters above the surface at the U.S. head office in New York. It reduces the bank’s electricity consumption ▶

► and decreases its carbon emissions by 100 metric tons a year. Also, the bank assisted with the construction of two high-power solar parks.

Deutsche Bank was selected as Europe's "Best Renewable Energy Finance House" for two consecutive years. Moreover, Deutsche Bank is one of the founding shareholders of the DESERTEC project, a network of wind and solar farms to span the Middle East and North Africa.

More than 19,000 of Deutsche Bank's employees have committed themselves to supporting 3,000 charitable organisations worldwide. They share their knowledge with those institutions in fields such as finance, quality management, project coordination, and marketing.

Deutsche Bank created the "Volunteer Award" for its most active employees. The employee most committed to corporate volunteerism is also granted one extra vacation day for the year. Senior Relationship Manager Onnah Liew works at Deutsche Bank in Singapore where she works at Concern and Care, a group focused on caring for the elderly. This mother of three feels joy when she is able to give someone a smile. She believes good time management is essential to balancing one's professional and private lives.

Another example includes the nearly 2,000 employees of Deutsche Bank who planted 33,000 trees in a joint project with an environmental group.

Companies are an inseparable part of society. The best companies know to work with the motto: "More than money: building social capital".

### Technology: Siemens

The last company the delegation visited was Siemens headquarter in Munich. Siemens operates in 190 countries and has 450,000 employees worldwide. Founded as a telegraph company in 1847 by Werner von Siemens and Johann Georg Halske, the company grew to become a transnational company for high-tech goods.

Urbanisation, climate change, changes to demographics, and globalisation are core issues relevant to all countries of the world. The United Nations projected that by 2050 almost 70 percent of the world population will live in cities. This indicates that most people will inhabit mega-cities that lack sufficient infrastructure. Mongolia's southern neighbour China will have over 200 cities with populations of more than one million each. Environmentally friendly heat and energy systems and health care services will be crucial then. Siemens is one of the companies attempting to solve these issues. They operate, using technology and general know-how.

Siemens has maintained its principles for sustainability for 160 years using innovative technology and solutions. The main aim of its CSR policy is to balance the three aspects of people, the planet and profits. The company contributes to society by using its products to solve the ongoing issues of changes in demographics, urbanisation, climate change and globalisation. The areas of focus are environmental protection, education and science, culture, and humanitarian aid.



Michael Speck introduces the CSR strategy of the Deutsche Bank Karlsruhe

Last year its customers reduced its carbon emissions by 317 million tons, or 1 percent of the world's energy-induced CO<sub>2</sub> emissions.

The children of migrant workers are educated on the environment and its protection in ten schools located in eight cities in China. Siemens' I-Green Education programme has its corporate staff give lectures to the kids voluntarily every three weeks. The school is equipped with energy-efficient light bulbs and other appliances. The programme has been very successful over its two and a half years of operation. Siemens employees are now looking forward to finding another institution to implement that same project nationwide.

Providing primary health care for the poor and regional population is a challenge. As part of its CSR strategy, Siemens delivers such services through its mobile clinics. The clinic looks like an ordinary bus from the outside, but inside it contains an entire doctor's office. It comes equipped with equipment for diagnosis, such as x-rays, ultrasound, and mammograms. The x-rays can even be developed in a darkroom on board the bus. The mobile clinic has its own electric generator as well.

Siemens Water Technologies invented a filtration device for tainted water to make it safe for drinking. The SkyHydrant filter removes impurities under a low-pressure system that produces around 10,000 litres of drinking water per day. It is 1.5 metres tall and weighs 12 kilograms. The machine can be operated easily using a low amount of energy and it doesn't need chemicals. The inhabitants of 42 countries throughout the world have utilised 900 of these machines to attain the drinking water they need.

Siemens developed this water purifier further to create the more advanced model called the AquaVendor. This filter has a capacity to cleanse 25,000 liters of drinking water per day and is designed for regions with areas that have weak infrastructure.

"The issue of sustainability will never stop", said Markus Strangmueller, vice president of corporate sustainability in Muenchen.

These German companies operate their CSR activities over a broad spectrum. Volunteerism among company employees for the benefit of society is truly praiseworthy. But it is not only the responsibility of corporate staffs. It is up to everyone to live as a responsible global citizen. ■

(to be continued in next issue)



BUSINESS STORY

## TWO DECADES OF SUCCESS

It has been 20 years since Nomin Holding began establishing its partnerships with over 400 companies around the world to amass global brands in Mongolia.

BY B. TSETSEE

This year is Nomin Holding's 20th anniversary. For this, world famous companies known by the seven billion citizens of the world sent their congratulations. It has been 20 years since Nomin Holding began establishing its partnerships with over 400 companies around the world to amass global brands in Mongolia.

Representatives of Nomin Holding and its trusted business partners gathered to have their photos taken at Sukhbaatar Square. It was an opportunity for the managers and directors who have led companies such as Sony, Sharp, Hitachi, L'Oreal and Chevrolet to come together.

"I not only admire the brand name

Nomin, but also the sincerity and the spirit of the employees of Nomin. I think good team work is their distinguishing quality", said Vincenzo Mare, regional sales manager of OKT, Europe's leading company for plastic household products.

### Once in a decade

The reception hall of Blue Sky Tower was decorated in ivory white and azure.

"Twenty years ago on July 11, 1992, Nomin Holding was established under the name Nomin 5. Today, our operations have expanded to areas such as trade and services, construction, finance and insurance",

said A. Shagdarsuren, the founder of Nomin Holding, in a speech describing the company's beginnings. "We now have over 4,000 employees and have become a leading enterprise with 23 business lines".

The L'Oreal brand is known to women throughout the world. The company has collaborated with Nomin Holding for two years now.

"L'Oreal always relies on professionalism and cooperates with those who know the market. The best are chosen as partners. For that reason, we have chosen Nomin Holding as one of our partners", said Benjamin Rachow, export manager of L'Oreal in Kazakhstan.

The 20th anniversary of Nomin ▶

► Holding was celebrated just as the country celebrated the Naadam festival. Naadam engraves precious memories in the hearts of anyone who attends. Guests marvelled at the wrestling, archery and horse-racing sporting events as well as Mongolia's fine traditional clothes.

The anniversary celebration was held at the Nomin Tenger complex in Nukht where foreign guests and representatives of partner organisations were present.

"Twenty years might be a short time in terms of social development. However, for us, Nomin and Mongolia, it has been the years of progress and development", said the general director of Nomin Holding, Sh. Bayarsaikhan. "Looking back on all those years of history, our customers and business partners have always been at the core of our company".

Taisuke Nakanishi, the managing director of Sony Electronics, offered

his own congratulations: "Happy anniversary to our Mongolian partner. I wish the very best success in the coming years".

The birthday cake that was brought out was decorated with many coloured candles and sparkling fireworks, seeming to foretell Nomin Holding's bright and sparking future.

### Dedicated to you

The number of Nomin Holding branches is expanding all the time. Those attending the celebration visited Nomin Logistics, an exhibit for Nomin Motors, the Unur Hypermarket, the State Department Store, and Nomin Wholesale in the Khan-Uul District.

Some of the guests from these internationally known and well-experienced companies said that even they have a lot to learn from their Mongolian partner.

The last stop of our journey was the Equestrian statue of Chinggis Khaan and the 13th Century Mongolia complex, a reflection of Mongolia during that century. The guests were delighted to have a view of Chinggis Khaan's tribe. They took photos and videos, all while enjoying the evening. They had so much to talk about for their return.

"I truly love nature. For that reason, I really like to come to Mongolia", said the managing director of Sharp Roxy Sales, Hideki Tai, who visited Mongolia for the first time during winter. "Mongolia is so unique and different than other countries".

Rolf Stuhlmann, sales expert and advisor to Nomin Fashion, remarked next, "I am very moved by what I have seen over the last few days. I would like to express my gratitude to the employees of Nomin and wish them a happy anniversary". ■





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