

DIG DEEPER

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ECONOMY

Oyu Tolgoi's Effect on Mongolia's Economy

A Deeper Understanding of the Oyu Tolgoi Mine

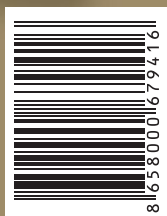
Lest We Make the Same Mistakes

A Method to Optimise State-Owned Enterprises

GRANDMA AND OYU TOLGOI



Please Revive OT



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Mongolian Economy June 2015

EDITOR'S NOTE



Our magazine's previous issue was printed with the title "The Divide over TavanTolgoi." In it, we reported the true state of our country: a worsening economy, increasing unemployment, people running out of money.

However, the news that Oyu Tolgoi's underground mine development plan is to move forward was disseminated to the public as the issue was off to the prints. Our magazine was in a state of astonishment. Even though it was great news for the country, it slightly devalued our previous issue. Now people are convinced that the economy will not decline, but rather that it will recover.

Of course, we received this news positively just as most people did. Therefore, we dedicated this issue to the recent development regarding OT. We aim to give information based on accurate facts to policymakers and the public.

We hope that our magazine informs you as to what will be built according to the underground mine development plan, what issues the parties compromised on, taxes, how the cost overruns were resolved, how to go forward, impacts on the economy and other issues like the position of foreign investors. The CEOs of Erdenes Mongol and Erdenes Oyu Tolgoi were invited to our magazine panel.

As there are two sides to every coin, good things come along with the bad. There will obviously be some critics who will see things from a different point of view, because OT is one of the world's 10 largest megaprojects and is expected to operate for a century. Hopefully, people will not politicise it and approach, criticise, support and encourage this matter realistically.

D. Bekhbayar



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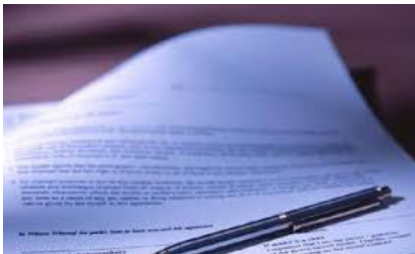


Mineral resource exchange to be established



In recent years, the price of iron ore concentrate has been decreasing in the global market. Export revenues and finances of companies in the raw materials production industry are strained right now. Experts say that iron ore mines need to coordinate their policies so as not to cause price drops in the future. The Ministry of Mining announced that a working group has been put together to study and establish a mineral resource exchange as the ministry believes that the proposed exchange will play an important role in the industry.

Licensing



A total of 956 companies have registered with Mineral Resource Authority since requests orders for exploration licences started being received electronically. Of these companies that registered, 899 are domestically-invested enterprises, while 45 are foreign-invested (China-17, Singapore-9, Australia-4, Canada-3, Luxembourg-3, other-9). Twelve are joint venture enterprises. A total of 1686 electronic request forms had been submitted by the end of the last month. The Mineral Resource Authority reported that 234 new licences were issued after reviewing the requests in accordance with the Minerals Law, and 496 possible licences are to be reviewed

after relevant provincial governors are consulted. In addition, MNT 12.42 billion in licence fees, MNT 488.35 million in service charges, MNT 477 million in exploration licence service fees and MNT 728 million in electronic application fees, totalling MNT 14.1 billion, have gone to the state budget.

Energy



Oyu Tolgoi is making a significant contribution to its neighbouring soums' residents by putting up power transmission lines. To be more specific, some 40 kilometre, 35 kilowatt double-stranded overhead transmission lines and sub-stations between the OT mine and Khanbogd soum were built and handed over to the "Southern region electricity distribution network," a state-owned enterprise. OT financed this MNT 7.6 billion project. The residents of Khanbogd now have a constant source of electricity from the OT mine. In addition, the Ministry of Energy has set the goal of providing Khanbogd and Bayan-Ovoo soum residents with power from the central electrical grid. Rio Tinto and Oyu Tolgoi have also agreed to provide MNT 270 million worth of funding to the "Southern region electricity distribution network" SOE to support its implementation. This money will go towards the construction of a 5.1km-long power transmission line between the OT mine's electrical sub-station and central energy sub-station. The power transmission line's construction work began last month and is scheduled to be completed by the end of July this year. This allows residents of Khanbogd and Bayan-Ovoo soum to receive electricity independent of the OT mine's energy source, receiving it from the central grid instead.

Tax

In the first quarter of this year, Oyu

Tolgoi has contributed USD 66.4 million to the state budget and purchased goods and services worth USD 78.3 million from domestic suppliers. In addition, the



company has purchased goods and services worth USD 14.1 million from enterprises and individuals of South Gobi province. The company ranked second in terms of amount of taxes paid during 2010-2014.

Investment



The change in foreign direct investment in the first quarter of this year showed a USD 31.8 million decrease. This is a USD 94 million decrease compared to the same period last year. FDI figures in 2015 have had a consistent downward trend due to foreign-invested enterprises having to make large amounts of loan repayments to parent companies. However, economists expect FDI to bounce back as the Oyu Tolgoi underground mine development phase commences.

WORLD NEWS

Global Inequality



Thomas Piketty, author of *Capital in the 21st Century*, the most cited book of 2014, wrote an article on the British

Politics and Policy blog of the London School of Economics and Political Science. In it, he argued for a global progressive tax on individual net worth. Although it would be a major political challenge to implement, he said it would be feasible if the US and EU, accounting for a quarter of global output, put their weight behind it. In an ironic turning of the tables, Piketty gave a history lesson on how concentration of wealth in the hands of the rich was much less in the US during the 19th century, whereas it was much higher in Europe at that time. Now, the opposite is true. Though Europe still has its own problems of inequality, especially Britain, according to Piketty, the best way to close this gap is a global tax on individual net worth.

Chinese Housing Market



Prices of new homes in China have fallen for the eighth consecutive month. The average price of new homes in major Chinese cities fell by more than 6 percent in April compared to the same period the last year, although prices did rise in Beijing. China's struggling real estate market is seen as one of the biggest risks to the world's second largest economy. Prices for smaller cities are also on a downward trend. The property sector accounts for a fifth of China's economy, which is expected to grow the slowest it has in a quarter century. The People's Bank of China has recently cut interests for the third time in six months to incentivise lending. Now there is pressure on policymakers to introduce stimulus programmes to boost the economy.

Conflict Minerals

The European parliament voted for tougher laws on conflict minerals. Minerals such as gold, tantalum (used for vibration in mobile phones), tungsten



and tin imports from conflict zones, mainly Africa, will be subjected to stricter surveillance up the supply chain. This move affects approximately 800,000 European companies involved in the industry. Not only importers, smelters and refineries, but also manufacturers of mobile phones, tablets and computers will all have to make sure the minerals they use in their products are not being used to fund wars. Conflict minerals are implicated in 27 conflicts in Africa.

FIFA



The world football governing body has come under fire, with Swiss authorities arresting 14 officials who face possible extradition to the United States. The Swiss worked in cooperation with the U.S. Department of Justice, the FBI and the IRS to arrest the people on charges including racketeering, wire fraud and money laundering. Sepp Blatter, the controversial president of FIFA and the most powerful man in sports, was not arrested. He was quick to make an official statement saying that FIFA will cooperate with prosecutors and that those who engage in bribery will be "put out of the game." However, in a surprise move on June 2, Blatter announced he is resigning as president, just four days after he was elected for another term. It was also revealed that the U.S. DoJ is investigating Blatter himself for corruption. Controversies have intensified surrounding FIFA since the 2022 World Cup bid went to Qatar in a surprise result. On top of allegations of corruption at the highest levels, human rights groups have denounced the treatment of migrant

workers, with one report by Fair Play Qatar estimating that 62 workers will have died for every game of the 2022 World Cup. Petitions to FIFA, the world governing body of football, and to the Qatari government have largely gone unheard, so human rights groups and activists focused their attention to the corporate sponsors such as Coca-Cola, Visa, Adidas and McDonald's, believing they would be more reachable. Visa released a statement after the ordeal that they will have to "reassess" their sponsorship if FIFA does not address the corruption, but the tragedy in Qatar remains ignored for the most part by FIFA, the Qatari government and the sponsors.

The quadrennial World Cup hosted by FIFA is the biggest sporting event in the world, and it is estimated that more than one billion people, one out of every seven people on this planet, watched the 2014 final in Brazil.

John Nash



John Nash, renowned mathematician and subject of the 2001 film "A Beautiful Mind," and his wife Alicia were killed in a taxi crash on May 23, 2015. His work in the field of game theory earned him the Nobel Prize for Economics in 1994 and is now a standard subject for economics students across the world. Nash had a prosperous career as an academic, winning numerous awards and tackling many long-standing problems in mathematics and economics, but began to show signs of mental illness in 1959 and spent several years at psychiatric hospitals undergoing treatments for paranoid schizophrenia. After some time his condition improved, and he re-entered academia in the 1980s. On the day of the crash, Nash was coming home after accepting the Abel Prize, another prestigious prize in the field of mathematics. ■



DIFFERENT ANGLE

The CEO of Erdenes Mongol LLC, B. Byambasaikhan; CEO of Erdenes Oyu Tolgoi LLC, Da. Ganbold; and CEO of Rio Tinto's Copper and Coal division, Jean-Sebastien Jacques, signing the OT underground mine development plan.

Oyu Tolgoi's Effect on Mongolia's Economy

By D. Bekhee

The news out of Dubai sounded like grey skies clearing to make way for sunlight. In fact, people from all walks of life must have heard it. It was as if a black cloud was hanging over Mongolian economy. People's patience was running out after waiting patiently through these gloomy days. Professor D. Tserendorj said that when people's wallets start to become empty, they begin to wonder whether it is their own fault or the fault of the leaders. Talk of dismissing the government and dissolving the parliament before its term was going on strongly in the parliament building. However, the signing of the underground mine development plan turned all that

around.

Businessmen especially welcomed the message on social media, and people must have been all too happy about the news. The thought that life and work will improve and that we will forget the word "crisis" if either Oyu Tolgoi or Tavan Tolgoi gets moving has been set in people's minds. That is why people voted in the Prime Minister's phone survey to move forward with the megaprojects as quickly as possible. Companies have obviously started to recover, but not financially. Some people were laid off got their jobs back; some are reconsidering their stalled projects, while some are reconnecting with old partners they

have not spoken to recently, looking at their future optimistically and waking up from a state of idleness. A business acquaintance of mine who went abroad to spend the summer said, "I came back yesterday because a light can be seen at the end of the tunnel." Companies that were saying they are going to give their employees their annual vacation as soon as possible have now decided to wait for a bit.

The Dubai agreement took government officials by surprise. The politicising has already begun, and instead of congratulating the PM, they have started to ask why in Dubai; why did he agree to get OT moving. People have been

buzzing that they have not signed a plan but an agreement and that it should have been signed in Mongolia. They even left without telling the Minister of Finance and it goes on and on. "During the PM's visit, we were able to successfully negotiate with Rio Tinto, so we wanted to immediately ensure it. When we went there, we had not planned on signing anything, but Dubai is one of the modern financial centres after all," said B. Byambasaikhan, CEO of Erdenes Mongol, about the Dubai signing.

As the day of the parliamentary elections is approaching, politicians know how to pick up points from the people by being negative and critical. They dove right into the propaganda and brainwashing. "As soon as Election Day in 2016 is over, no one will be talking about OT. However, OT will continue to be one of the most important issues until the end of the parliamentary elections," said D. Ganbold, CEO of Erdenes Oyu Tolgoi.

The news of this megaproject moving forward has become a positive signal for our economy and we are already seeing some positive effects. Of course, the economy will not turn around overnight and the almighty dollars will not fly in immediately. Experts are

saying that it will take time. Even so, it has been good news. It said that big things follow big projects. One small example of that would be that it has calmed nerves of businessmen and citizens. Foreigners have started to get assignments in Mongolia. Foreign guests and officials who manage their business while watching the Naadam festivities have started to order their plane tickets and book hotels.

Countries are going to open their embassies and major foreign financial institutions are going to invest in our country. OT has started to reemploy their downsized employees. A closer-to-home example is that our magazine's business has started to revitalise. Cross-border cooperative talks have been going on, and local companies are talking about placing their ads in the magazine. Are all of these not positive signs?

"The Ministry of Finance has received the OT underground mine development financing plan report last week. First off, USD 20 million in mineral royalties and USD 30 million in taxes will go to the budget. Mongolia will get USD 30-40 million before Naadam Festival. It is no small sum for weary country," said D. Ganbold.

The Mongolian Investment Banking

Group and Resource Investment Capital have together conducted a study of the Mongolian mining sector. According to this study, the second phase of OT's development will boost foreign direct investment and Mongolia's capital raising potential. As a result, the economy will rapidly grow. Researchers and experts at international organisations are saying that the currently forecasted 3-4 percent growth might end higher at the end of the year. All these are because of the news about OT. There were estimated that growth would even be lower than 4 percent had OT remained in a state of deadlock.

All in all, we can see how significant the OT project is to Mongolia. Then what will happen to our economy after the money comes in and the development works are completed? Our peak economic growth was in 2012 with 17 percent growth during the open pit mine operations. It should not be forgotten how astonished the international community was.

Rises in domestic businesses' revenues improved the lives of the people. The opportunity to see this growth again in a short-term is there if we remove OT from the political agenda and support the underground mine development. ■





MAGAZINE PANEL

There is no doubt OT benefits Mongolia

CEO of Erdenes Mongol LLC, B.Byambasaikhan, and CEO of Erdenes Oyu Tolgoi LLC, Da.Ganbold, two of the key people who signed the OT underground mine development plan in Dubai, were invited to our magazine panel to discuss this megaproject.

-People support the OT project moving forward. There are expectations that many things will change for the better after the project implementation. There is also some negative criticism. How do you see this situation?

Da.Ganbold (CEO of Erdenes Oyu Tolgoi LLC):

- If it is viewed from the bright side, there are many advantages. I agree with one thing. OT is the property of all the people of Mongolia no matter what. People are interested in it because it is a huge mine deposit that will benefit them. Megaprojects like OT have not been implemented in our country in the past 25-30 years. There were a lot of misunderstandings and unfitting things in the first years. The project has begun to be implemented because there was a strong belief that all these things were resolved. Not only the government but all of Mongolia's three million citizens will benefit in some way from this project. We will see good results and give a

positive signal to countries that have a connection with Mongolia and to the world at large.

-Entrepreneurs especially are supporting the OT project to advance further and want the government to work consistently. They joined together and issued a call that it is time to stop politicising matters.

B.Byambasaikhan (CEO of Erdenes Mongol LLC)

-Oyu Tolgoi itself is a business. A business owned by two parties. It is a big project that will continue to develop for many years. OT is really important for business entities, because many investment projects stopped in the past years due to the stalls in the development of the underground mine. There are all kinds of numbers being thrown around. For example, more than 50 companies' projects cannot be implemented now. At least MNT two billion in investment projects have stopped. Some of the major ones are Tavan Tolgoi's power

plant, Tsagaan Suvarga and Thermal Power Plant 5. If you calculate the investment poured into these large and small projects, USD four billion or MNT eight trillion in investment has come to a standstill.

Finance is an important thing; every business needs to raise money. The cost of financing has increased at least by five percent. In other words, external loan interest rates for Mongolian companies have doubled. Thus, people who do business have worked unprofitably, given that costs have increased and employment has declined. Three to four thousand jobs related to the OT underground mine development issue vanished in the past two years. USD 100 million has stopped circulating as salary. How many homes and mortgages were lost behind it? Businesses need OT. We came to understand that big things follow these big projects. There was no other country with such high economic growth like Mongolia in the world. Large projects have positive effects on small businesses' competitiveness, value, operations and profits.

The government has made mistakes on lots of things in this two year period. For example, they could not collect taxes. The government did not collect USD 250-300 million in VAT and USD 40-50 million in social insurance taxes because the development of the underground mine stalled. We have seen how such opportunity costs impact citizens and enterprises.

- One of the main reasons for the down time was the parties' desire to benefit from the project. Today, some people are opposed to OT, saying that that it has no benefit to Mongolia, while you are saying that it is profitable. People do not know who is right. Conflicting information is confusing the people. What are your thoughts?

-Da.G: The term profit itself is very interesting. It is not like two people making a deal at a market. It is profitable for the both sides. Unprofitable business has an emotional toll on top of many other things. Economically, there will be negative consequences such as crises and deficits.

We have worked on the data and the estimates in the last few months.

We are sure that OT is profitable to Mongolia and its citizens. It is not that the two of us are just the only ones who blindly believe this. It is not enough if just a few Mongolians themselves do some analysis and decide whether it is profitable or not. Therefore, analyses were conducted by professional people who have the knowledge, who have worked on megaprojects and know how to check calculate the short, medium and long-term benefits.

They said, "This is profitable to your country. Mongolia will win from it." Many indicators showed that it has medium and long-term economic, political and social benefits. It was in line with our thoughts. There were some things that seemed unfitting, but such things were explained, and we came to understand. Now we firmly believe in it and will march forward. Our country also has inspection authorities. The Ministry of Finance, General Department of Taxation and the National Statistical Office have appropriate decisions in a timely manner.

-You said it is beneficial to many things. Can you be more specific?

B.B: Let me explain why the underground mine is necessary for OT's business. The underground mine is what makes this deposit the world's most competitive mine. OT's revenues will increase and costs will decrease by using utilising the underground mine. In other words, resources in the open pit will be exhausted in a few years. At the best, we will receive USD six to seven billion in profit from there, but the underground mine development increases returns by several fold. At current prices, we can gain up to USD 50 billion from it.

The value of OT will of course will have positive effects on Mongolia if the business is healthy. It will attract new investment and the economy will improve. Total assets of Mongolia will be determined by the rankings of big companies such as Erdenet and Oyu Tolgoi. Businesses and the government will be presented with an opportunity to raise money from abroad. After the 2009 OT agreement was established and entered into force in 2010 starting the developmental works, many new businesses were established in Mongolia. One feature of OT is that it has introduced

a new business standard in Mongolia. Since OT demands high-quality products, company that can supply high quality products cooperated with OT and this raised standards.

-Please tell us more about its benefits to politics and the state?

Da.G: Mongolia has a very large territory. Unfortunately, it looks small because our two neighbours have larger territories. Mongolia has a huge territory which ranks 15th or 16th out of nearly 200 countries on earth. It is a country that should rank high by its per capita amount of land and underground wealth.

Mongolia's reputation in the world is growing from the political point of view. Aside from our neighbours, big businesses from the UK, US, Japan, Republic of Korea and Germany associated with OT are going to enter Mongolia. It is guaranteed that Finnish, South Korean and Japanese copper smelting technologies will come into our country when the underground mining operation begins. Many power and energy projects will be implemented. I am not talking about traditional coal power plants that we are all familiar with. Modern technologies such as water, wind, solar and gas energy will come.

Countries have started to open their embassies in our country. Countries are making their visa rules and regulations easier for us. It is possible some countries will get rid of the visa requirements. The USD rate has fallen. There is the notion in the international community that they can cooperate with us. All of these things are beneficial for Mongolia. These are just the basic examples.

-Some say that the direct benefits from the OT underground mine development plan is not that high, but the indirect benefits coming alongside the project is high. Could you elaborate on this?

Da.G: It has been decided that 53 percent of the profit will go to Mongolia after considering copper and fuel prices in the world market by today's value. The investors are taking a 47 percent stake.

B.B: There is the financial concept of time value of money. We are talking about that. It is a very important concept in market and business. A dollar today is worth more than a dollar tomorrow. The trick is to find just by how much. Today, OT is still paying taxes. To date, USD

1.3 billion has been paid to Mongolia in various taxes. This figure would be much higher if we consider things like employees spending their salaries and other residual economic activities. The government took earned such revenue from OT in the past five years.

Then what will OT give us in the future? Well, corporate income taxes will be paid. Any company that starts to operate profitably pays this tax. At today's price levels, taxes amounting to USD 15-16 billion would be paid. USD 8-10 billion in royalties or compensation for mineral resources from OT would be collected. In addition, our country is part of the owners so we will also receive dividends. It will give USD 8-10 billion in returns to our country. And there are many other kinds of taxes. OT is a business, and just like any other business, it is raising funds and keeping it moving. Investors and shareholders are bearing the same risks as other business owners. This business will be detrimental if the price of copper continues to drop and OT becomes unprofitable.

-Both of you are reiterating that OT is a business. Then there are people who see OT as politics.

Da.G: As soon as Election Day is over in 2016, no one will be talking about OT. However, OT will continue to be one of the most important issues until the end of the parliamentary elections.

-The parties made a compromise. There has been criticism that the

Mongolian side has yielded more. What compromises were made?

B.B: Two years ago, Mongolia's position was to change the investment agreement. Today, we have reached agreement on key principles. The investment agreement is crucial. Let's abide by it. OT has already been built in Mongolia. The open pit mine and processing plant are already in use and employing over 600 Mongolian people. In the past, many people worked on the construction. We will stay on course and continue developing it for the duration of the project. As a result of the successful negotiations, we were able to agree on this plan.

Also, the regulations and rules going forward become very clear. The investment agreement had provisions that had two meanings. We were able to come to an understanding about them. The two sides approached it from one point of view in order to come to an understanding. The agreement will abide by all the currently implemented Mongolian laws. The position was that we will comply with all the agreements, so there were no issues in coming to an understanding. Thus, the investment agreement is valid. At the time, the investment agreement was signed by the government, and Erdenes Mongol made the shareholders agreement with Turquoise Hill Resources.

We made it very clear that we will participate in subsequent developments by such rules. For example, their position was that certain fees will be deducted from the royalties, but all expenses will be applied without any deduction in accordance with the standard to be established in Mongolia. Also, we nullified the two percent royalty fee imposed on BHP, which was a rather high cost

for OT. In addition, contentious issues with taxation were sorted out, and currently OT has indemnified USD 40 million. The USD 30 million tax dispute was about to be taken to international arbitration.

As a result of sticking to our principles and investment agreement to negotiate, they recognised the tax report and paid it. Now, all our focus should be direct at the actual work. We were able to attract and bring in the world's biggest mining loan of USD 4.2 billion to Mongolia. OT intends to reduce its own funding because Rio Tinto provided guarantees. It will be reduced by about two percent. In doing so, the company will be more profitable and the underground mine development work will take place. Our responsibility is to make sure OT is profitable on its own after the completion of all the works.

- Safety in underground mining is of utmost importance. Has the legal framework to operate an underground mine in Mongolia has been established?

B.B: We are trying to create something that does not exist anywhere in Khanbogd. The most modern and advanced technology is going to be used. Safety comes first for the mines. We are talking about large profits and big numbers, but on the other hand, you cannot place a dollar value on human life. It is essential that we comply with safety standards. One of the indirect benefits coming from OT is that Mongolian companies have started to pay attention to occupational safety and hazards much more today.

- The OT negotiations carried on for many months. Were there difficult times when people became discouraged?

B.B: It is a business process between two owners working to negotiate key issues. The key is that the process was continued by doing all the calculations, research, financial reports and legal agreements.

-One question related to cost overruns. USD 1.2 billion in cost overruns was approved. The number must have come from somewhere. How did you reach this figure?

Da.G: This is a useful topic for politics. It has two sides economics-wise. Cost overruns are bad in any case. You were going to buy MNT five million in products,



CEO of Erdenes Oyu Tolgoi LLC, Da. Ganbold



The CEO of Erdenes Mongol LLC, B. Byambasakhan

but it has increased to MNT 10 million, so it is not profitable to buy something that was cheap more expensively. However, it could be profitable if it in turn can be sold for MNT 15 million. In this situation, there is really no need to consider it an excess. Only time will tell if it was or not.

B.B: We took out a loan to fund the 34 percent share that Mongolia owns. This figure will not change. We did not borrow more because of the cost overruns. Large investment banks are again providing loans for the second round of investment. Even so, it would not be changed. Even on the signed plan it is clear that Mongolia will keep its 34 percent ownership. This figure will not change due to any of OT LLC's loans in the future.

-There's an expectation that Mongolian business will have opportunities to work with OT by becoming a supplier or by some other method. What types of businesses opportunities will spring up following the underground mine development?

Da.G: Thousands of business opportunities will be realised. Mongolia doesn't have a company with the ability to raise funds on its own and start some large production. It is necessary to cooperate with someone. There many stalled project waiting for OT.

According to the information I have, there are around 30 thousand business

opportunities related to EMC's products and services considering that it has worked for 30 years. At worst, OT can do at least as good. Today, a list of OT's supplier companies as exceeded several thousand. On that list, around 500 are Mongolian companies.

B.B: In the past two years, domestic suppliers, Mongolian companies, have lost nearly USD one billion in opportunities. Now the opportunities are going to make a comeback.

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able to attract and bring in the world's biggest mining loan of USD 4.2 billion to Mongolia. OT intends to reduce its own funding because Rio Tinto provided guarantees. It will be reduced by about two percent. In doing so, the company will be more profitable and the underground mine development work will take place. Our responsibility is to make sure OT is profitable on its own after the completion of all the works.

- Safety in underground mining is of utmost importance. Has the legal framework to operate an underground mine in Mongolia has been established?

B.B: We are trying to create something that does not exist anywhere in Khanbogd. The most modern and advanced technology is going to be used. Safety comes first for the mines. We are talking about large profits and big numbers, but on the other hand, you cannot place a dollar value on human life. It is essential that we comply with safety standards. One of the indirect benefits coming from OT is that Mongolian companies have started to pay attention to occupational safety and hazards much more today.

- The OT negotiations carried on for many months. Were there difficult times when people became discouraged?

B.B: It is a business process between two owners working to negotiate key issues. The key is that the process was continued by doing all the calculations,

research, financial reports and legal agreements.

-One question related to cost overruns. USD 1.2 billion in cost overruns was approved. The number must have come from somewhere. How did you reach this figure?

Da.G: This is a useful topic for politics. It has two sides economics-wise. Cost overruns are bad in any case. You were going to buy MNT five million in products, but it has increased to MNT 10 million, so it is not profitable to buy something that was cheap more expensively. However, it could be profitable if it in turn can be sold for MNT 15 million. In this situation, there is really no need to consider it an excess. Only time will tell if it was or not.

B.B: We took out a loan to fund the 34 percent share that Mongolia owns. This figure will not change. We did not borrow more because of the cost overruns. Large investment banks are again providing loans for the second round of investment. Even so, it would not be changed. Even on the signed plan it is clear that Mongolia will keep its 34 percent ownership. This figure will not change due to any of OT LLC's loans in the future.

-There's an expectation that Mongolian business will have opportunities to work with OT by becoming a supplier or by some other method. What types of businesses opportunities will spring up following the underground mine development?

Da.G: Thousands of business opportunities will be realised. Mongolia doesn't have a company with the ability to raise funds on its own and start some large production. Cooperation is key. Many stalled project waiting for OT.

According to the information I have, there are around 30 thousand business opportunities related to EMC's products and services considering that it has worked for 30 years. At worst, OT can do at least as good. Today, a list of OT's supplier companies as exceeded several thousand. On that list, around 500 are Mongolian companies.

B.B: In the past two years, domestic suppliers, Mongolian companies, have lost nearly USD one billion in opportunities. Now the opportunities are going to make a comeback. ■



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What Are Your Thoughts on the Oyu Tolgoi project? What do you know so far?

G.Bumchimeg (CEO of Mongolian Economic Research Institute):



- The impact of the OT underground mining investment on the Mongolian economy might be much less than most people expect. First, investment this time around will not be made during a price spurt in raw commodities. The previous investment happened during our export goods' price spurt. For example, mineral prices in the world market rose sharply in 2010-2011.

Copper prices rose by 46 percent in 2010 and by 17 percent in 2011. Also at that time, external demand was sharply increasing alongside the prices of export goods. So, it is difficult to distinguish and separate OT's initial investment from these favourable external factors, so the real impact of this round of investment might be less. Second, the OT project infrastructure, especially most of the significant developmental works such as roads and power lines, were implemented by domestic companies were decided by the initial investment, so capital inflows to other sector's might be lower this time.

Generally, the mining sector's positive impact on other sectors is low and does not increase the productivity of the economy like other sectors. However, a resource-rich country's sustainable growth and development are determined by how the income from mining is being spent and how it raises productivity. Therefore, how the government spends the revenue from the project will determine its benefit

to Mongolia.

P.Uranbileg (Professor of Economics at the IFE):



-The situation has been unstable and volatile since the signing of the project agreement in 2009. It is praiseworthy that the stalled agreement was signed in these times of unfavourable, deadlocked and sluggish economic growth, but it is still rather opaque and not understandable.

Now it is certain that the project will move forward. Therefore, we should now focus on the benefit from the project. In economic terms, the return of the project is obviously high. Even though it might not give its benefits today or tomorrow, it will accelerate the economic growth, decrease unemployment, increase infrastructure investment and support other sectors' production in two or three years. However, there is not enough detailed information for now to make a forecast on its negative outcomes.

Jim Dwyer (Executive Director of Business Council of Mongolia)



I do want to contribute on this very important item - OT's future with the underground mine and the benefits to Mongolia. Here are the bullet points I would like to highlight.

- With the underground mine contributing some 80 percent of the

value, OT will be a 100 year mine.

- A total of \$7-8 billion will be invested over the next 5 years into the underground development at OT.

- Some 15 major international banks will participate in the huge project financing, most of whom will enter the Mongolian capital market for the first time.

- Many jobs will be created at OT and at a large number of suppliers to OT.

- Mining suppliers and many other sectors in Mongolia will benefit from the 'multiplier effect' of the underground investment.

- In 2020, when the underground is producing, OT will represent about 30% of a much larger Mongolian GDP

In summary, OT's future with its underground mine development will provide a huge, positive economic and social impact for Mongolia over many generations to come.

Ts.Tumentsogt (CEO of General Electric LLC):



-I view the OT project positively. The project can provide benefits in the long run. In general, three factors – funding, technology and human resource – are critical to large projects. The OT underground mine project requires modern technology and a lot of funding and staff. However, Mongolia does not have any of these three crucial factors. Rio Tinto bringing these factors in makes it a rather important strategic investor for Mongolia. Thus, we have to work with this investor with good communication, understanding and mutual respect. The operations must be carried out under the investment agreement made in 2009. ■



points of 20 consideration

1 From now on, Oyu Tolgoi is no longer a government or political matter. From now on, it is an economic matter and an inter-company matter.

2. If politicians cared about their country, they should refrain from interfering with Oyu Tolgoi.

there can be no better condition for the Mongolian side from the 2009 agreement.

7 Look at how the Oyu Tolgoi agreement shut down foreign investment and tarnished the reputation of Mongolia. Mongolia will only benefit if OT gets moving.

8. Any individual politician must stop pandering for public support over Mongolia's future. Now is the time for everyone to get to work.

rate has fallen slightly to MNT 1,920. These are what we wanted.

12 Generally, Mongolia's 54.9 percent share of profit means that even if the price of copper drops to USD 5,000 per tonne in the global market, it would not be a big worry. Mongolia's share of profits will rise to 56.1 percent if the price of copper reaches USD 7,000 in the global market. Today, we

3 At this point Oyu Tolgoi should simply be left alone. It will move forward on its own, just as Erdenet Mining Corporation did.

4. The Mongolian side is now able to monitor all the costs. Two people from each party, led by a Mongolian, are now able to audit all the expenses.

We resolved a USD eight billion issue in only five days through a USD one billion loan from India, USD one billion investment of Oyu Tolgoi and USD one billion investment from the UAE investment fund.

10 In the end, let's get one this straight. It is not the concern of members of parliament or politicians. This is purely an economic, business relations and inter-company issue. We will not get out of this odious situation if

are collecting the taxes and benefiting from them; there is no denying that.

13 We have drained the economy in the last 2-3 years.

14. The tax rate on royalties remains 5 percent as per Mongolian law.

15. OT has stated that it is running a deficit after giving USD 1.3 billion in taxes to the Mongolian government.

5 In the past, the two sides came to differing numbers. Now figures calculated by the two sides are the same. The previous ratio of 53:47 has been changed and we have agreed that Mongolian side will receive 54.9 percent of profits.

6. It must be stated directly that

we politicise all the megaprojects and developments.

11 We must not let the positive impacts on the economy from the news that the OT underground mining agreement has been settled. Yields on government bonds are nearing the yields on Chinggis bonds. Today, the government bond yields have reached 4 percent. Yields on bonds issued by TDB have decreased from nine percent to seven percent. The USD-MNT exchange

16 Signing the signing of the plan, the parties agreed to support each other as they are in the same boat. They have accepted this.

17. We will receive a minimum of USD 4.2 billion in funding and at a total of USD six billion down the road from 14 reputable international banking and financial institutions.

18 We expect that USD 1.2 billion each year and a total of USD nine billion in additional benefits will enter our economy as part of developmental works.

19. Oyu Tolgoi is responsible for

conducting studies into a copper smelting factory by September 2015. A copper smelting factory will be built in Mongolia.

20 Some Mongolian media outlets are reporting that the Prime Minister signed the Oyu

Tolgoi contract. No such contracts have been signed. The underground mining continuation plan has been signed. Secondly, the Prime Minister is not the person who signed or signs such contracts. They are signed by the heads of relevant organisations. ■

INCONGRUOUS

Cost and Value

By Ts.Elbeg

Cost overruns were the main reason why the development of Oyu Tolgoi's underground mine stalled. The former Minister of Finance Ch.Ulaan, former Deputy Minister D.Terbishdagva and former Minister of Mining D.Gankhuyag informed that OT exceeded costs by USD two billion from the feasibility study conducted in 2009. It means there was a 30-40 percent increase from expected the technical and economic costs. Oyu Tolgoi countered by saying that issues out of the control of the company's operations – such as a tighter work schedule due to approval delays to the investment agreement, tax hikes, postponement of securing energy from China and the global financial crisis – caused expenses to increase.

However, OT admitted that they are responsible for some things: two percent of the total amount exceeded was due to social responsibility investment costs; five percent for increases in operational scope; and another five percent for low estimations on required construction labour and materials.

Also, OT stated that the cost overruns did not amount to USD two billion, but rather USD 0.9 billion: construction costs by USD 0.6 billion, customs and value added tax by USD 0.2 billion and management expenses exceeded by USD 0.1 billion.

Disputes over cost overruns went on for a long time. However, discussions on the consequences of exceeding costs

have not been raised that much. First off, a feasibility study is not something that sets things in stone. In general, it is merely an estimate that a task can be done at a certain cost to a certain level. For example, the 2009 feasibility study estimated that the road from OT to the border would be partially paved. It was thought that this would have a negative impact on the environment, so the road was paved all the way. Secondly, overruns in costs are not grounds to claim that the money was spent in vain. Product procurement and new construction work are largely responsible for the cost overruns. These in turn increased Oyu Tolgoi LLC's amount of capital and raised their value; this needs to be taken into account. "This is bad news if we think only about today. However, the fact that costs have been exceeded is not that important if we consider that its value, scope, productivity and profits will increase in the future," said Da.Ganbold, CEO of Erdenes Oyu Tolgoi. CEO of Erdenes Mongol LLC B.Byambasaikhan said, "Exceeded expenses will not decrease the 34 percent share of Mongolia's and would not increase the amount of debt. "Mongolia borrowed the funds to take the 34 percent share of OT. There would be no changes to this amount because of the cost overruns, because cost overruns are the responsibility of Rio Tinto and Erdenes Mongol LLC's joint venture Oyu Tolgoi LLC.

The company said that the reasons for

risers in costs are that labour wages and number of employees increased, and the number of machinery and equipment also increased. For example, 27 heavy-duty vehicles were bought even though the feasibility study had planned for 19.

Oyu Tolgoi is responsible for factors such as increased costs associated with the supply of electricity and downtime costs of the project. Besides those, many changes within the project during construction were approved and carried out by Oyu Tolgoi LLC's board of directors. They explained that they increased the amount of equipment in accordance with the expanded capacity of the factory and changes to soil stripping.

The establishment of a bottling plant to bottle the concentrate on the field, an airport, a paved road to the border and work to improve the Gashuun Sukhait border facilities was not included in the feasibility study.

Currently, no sources other than Oyu Tolgoi have disclosed a breakdown of the cost overruns. The USD two billion figure stated by the members of the parliament is also questionable. The former Prime Minister N.Altankhuyag said Oyu Tolgoi LLC's investment cost reached USD 7.1 billion. It exceeded by USD 1.4 billion according to an investigation by three ministers. The USD two billion figure might even be an exaggeration caused by rounding fractions to whole numbers in its calculation. ■



RESULTS

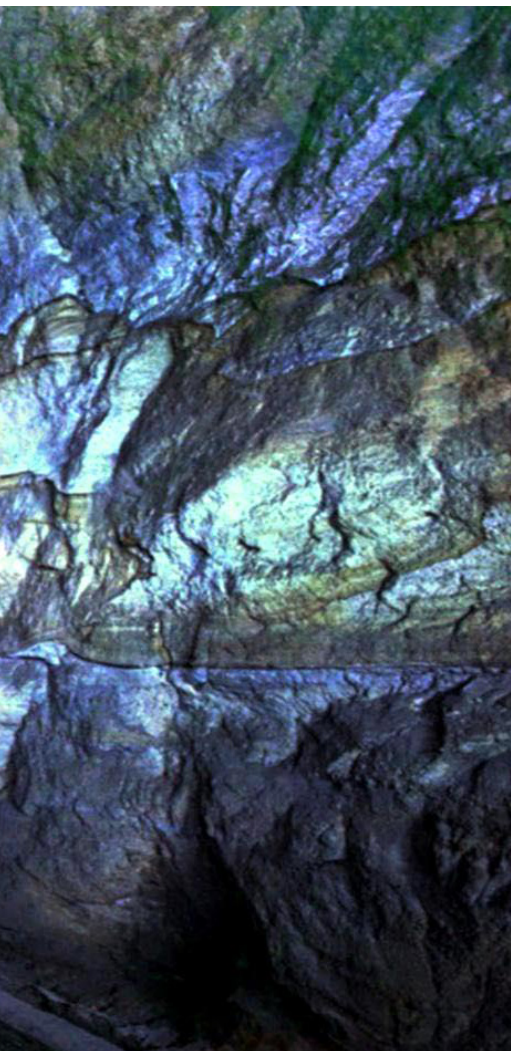
A Deeper Understanding of the Underground Mine

By B.Uuriintuya

A lot of zeroes have been added to Mongolia's debt in a rather short time. After everyone who collected some piece of paper with "888" on it for projects and spending on the city's beautification were done being coddled and pampered, the economy was also "finished." Suddenly, good news was sounded from the oasis in the Middle East, Dubai, when Mongolians were nearing total bankruptcy. It has

increased Mongolia's reputation on the international investment stage, even while some are still raging about it being not an agreement but a plan or whether it was done secretly or out in the open. A very simple example of how Mongolia has attracted the attention of others is evident from major channels such as the Discovery Channel and National Geographic broadcasting programmes about our country.

It can be said that the "Oyu Tolgoi Underground Mine Development and Financing Plan" (the Plan) has saved this country nearing death. Even a neat little shopping list of things to buy managed to be drafted after the news of incoming capital. However, caution need be exercised, or else the money will vanish before we even realise, like by being spent on something as useless as the "student's 70" – a monthly stipend of



MNT 70,000 given to university students.

It's been six years since the ubiquitous name of OT, which has become the fuel for Mongolia's economic growth and development, was introduced to us. If OT were a person, it would be a six-year-old primary school student. However, if Mongolians continue to quarrel over whether they are going to educate this "youngster" or not, our reputation will be dragged through the mud all over again. Therefore, I am trying not to politicise the issue and just dig into the objective details.

What the Plan includes

The open pit mine operation has given quite reasonable returns to Mongolia since the initial investment agreement's entry into force in 2009. However, 80 percent of OT's mineral resources lie deep under the ground. Analyses and conclusions on how our economy will

be revived by starting the underground mine development and its operation are still being sought by domestic and foreign economic and research institutions. According to the Plan, the underground mine's technical and economic feasibility study says that the OT project's economy benefits and returns matched the estimates calculated in the 2010 feasibility study, and the Mongolian government will take 53 percent of the total benefit in the form of taxes, mineral royalties and dividends during the project's implementation. In addition, a cost schedule on the underground mining construction phase and operations, cost estimates on payments of fees to the Mongolian government on the Mongolian territory and other construction costs were issued.

What will the plan bring?

The underground mine development is not only a cash cow. Project proponents are saying that this is an innovative change which will introduce new living standards and experiences to Mongolia. According to the Plan, OT will grant privileges to Mongolian citizens, particularly South Gobi province residents, legal entities, and buy their supplied goods, equipment, raw products, inventory and spare parts produced in Mongolia and incentivise increases in competitiveness, efficiency, quantity and quality. Accordingly, it should be noted that operations of domestic entities will become more active, and many new jobs will be created following the OT project. However, these opportunities will be possible if relevant criteria can be met. Specifically, to get a third party financier for the OT underground mining phase (underground construction of the first floor, underground ore mine processing plant and related infrastructure changes in accordance with the feasibility study), OT must meet the third party financier's requirements and each board of participating parties must approve it. OT must reach its full potential in such way.

However, the government also has to do its part since they own 34 percent of the deposit: the first thing they need to understand is that they need to let it move forward without causing further

stoppages. B. Byambasaikhan, CEO of Erdenes Mongol LLC, said that the development of the underground mine is essential to making the deposit one of the world's major mines and that the underground mine's development can provide USD 50 billion in returns at the current price. He said that there are many positive impacts, such as attracting new investments and improving the Mongolian economy, if this project continues "healthily." According to Da. Ganbold, CEO of Erdenes Oyu Tolgoi, an opportunity to introduce advanced technologies will present itself if the underground mining operations begin. He said that business opportunities to partner with major powers will be created, and there would be no need to depend on the two neighbours.

It is good that a plan to resuscitate the Mongolian economy has been developed. It would be even better if it is implemented successfully. However, a few people's signatures are not sufficient to implement what is on paper. A clarification of the rules is the first step to starting the game. The executives of Erdenes Oyu Tolgoi and Erdenes Mongol have said that they have come to an understanding and met these requirements. The next step is the developmental works, which carry on for nearly seven years. It includes the creation of a mining "paradise" that ensures the safety of mine workers. They are planning to kill two birds with one stone when constructing the tunnel, which is an important part of the underground mine development. We will see a certain amount of production, while still excavating. The Plan states that production will start in seven years, and even though more time may be necessary, they have set a clear goal to accomplish it in time.

There is this Mongolian proverb: "He who chases money dies chasing." Therefore, it would be wrong to evaluate the OT underground mine simply by dollars. The issues surrounding this deposit are always about money, as though it were some kind of massive piggy bank. However, it is time that we understand that this deposit is an enormous development that can reset the global standard. ■

Lest We Make the Same Mistakes

By Ts.Saikhan



The whole world read about executives and accountants of foreign-invested companies being deprived of their right to leave Mongolia due to tax disputes. As a result, investors are fleeing from Mongolia with their capital. The nickname "Hotel Mongolia" is becoming as notorious as Genghis Khan. It is no wonder investors are questioning how viable a country with such a nickname can be. They hope to find the answer to their unease from how the Oyu Tolgoi (OT) and other megaprojects proceed. It was also an opportune time for news about a USD 130 million tax dispute with Oyu Tolgoi LLC to surface. So naturally, solving the tax-related issues prior to the commencement of the second phase of investments was in the interest of both parties.

Several issues related to OT's taxes have been raised in the past. There was once a rumour that OT does even not pay taxes. However, the company was ranked as one of the top six Mongolian taxpayers during 2011-2013. Last year, OT was the third-highest taxpayer as they started paying mineral royalties after the open pit mines were put into operation and exports flowed. In addition, Oyu Tolgoi LLC lent USD 250 million to the government at the request of the Mongolian government. USD 150 million of that will be a tax pre-payment and will be subtracted from future taxes.

The next issue is related to double taxation. Canada's Ivanhoe Mines and Turquoise Hill Resources have registered their subsidiaries in the Netherlands as "Turquoise Hill Netherlands Cooperative,"

"Oyu Tolgoi Netherlands BV" and "Ivanhoe Mines Aruba Holdings LLC," allowing them to exploit a loophole where they would receive dividends from Oyu Tolgoi without paying taxes to Mongolia. However, the double taxation treaty with Netherlands was terminated in 2012, and these companies could no longer utilise the legal loopholes.

Currently, there are no taxes that OT does not pay. They have to pay all the taxes reflected in the terms of agreement in 2009. Corporate income tax, customs duty, value-added tax, excise tax, mineral royalty payments, mineral exploration and mining licence fees, real estate taxes – they have all been agreed upon and remain unchanged. Taxes others than these have not been agreed upon, meaning changes are possible. However, it has been settled that taxes newly created after the signing of the agreement will not be paid.

According to statements made by Prime Minister Ch.Saikhanbileg during a parliamentary assembly, both parties have mutually agreed that USD 30 million out of above mentioned USD 130 million will be paid. In fact, it can be said that this figure was decided on before any signatures were drawn. T.Batmagnai, Commissioner of the General Department of Taxation, explained that the Tax Dispute Resolution Board has decided to reduce the amount after Oyu Tolgoi LLC filed a complaint calling into question tax inspectors' assessment. The head of the working group appointed by S.Ganbaatar MP thinks that the tax inspector's assessment had legal grounds

and stated, "The General Department of Taxation is not giving their inspectors a chance to defend their decisions."

Many months have passed without any resolutions to this issue, and the CEO of Rio Tinto, Sam Walsh, has made it clear that they will seek arbitration if necessary. Economists say that the misunderstanding was because of different accounting practices and methods. Our country's tax reporting calculation methods are different from international standards in many ways. It is high time we get in line with the rest of the world.

"Most of the mining companies operating in Mongolia are subsidiaries. However, the parent companies do their financial accounting in accordance with standards used in large markets. It appears that there was a mismatch as a result," said member of City Council, Ts.Altantsetseg. Tax disputes with foreign investors will continue to arise in the future if we do not align our methods to global standards.

According to plans, a Mongolian company will audit Oyu Tolgoi's accounting standards at least once a year. It is a good opportunity for Mongolian auditing companies to gain experience and boost their reputation. However, if these differences in accounting methods are not fixed, who knows how many times the two sides will meet in an arbitration court from now until the mines are exhausted?

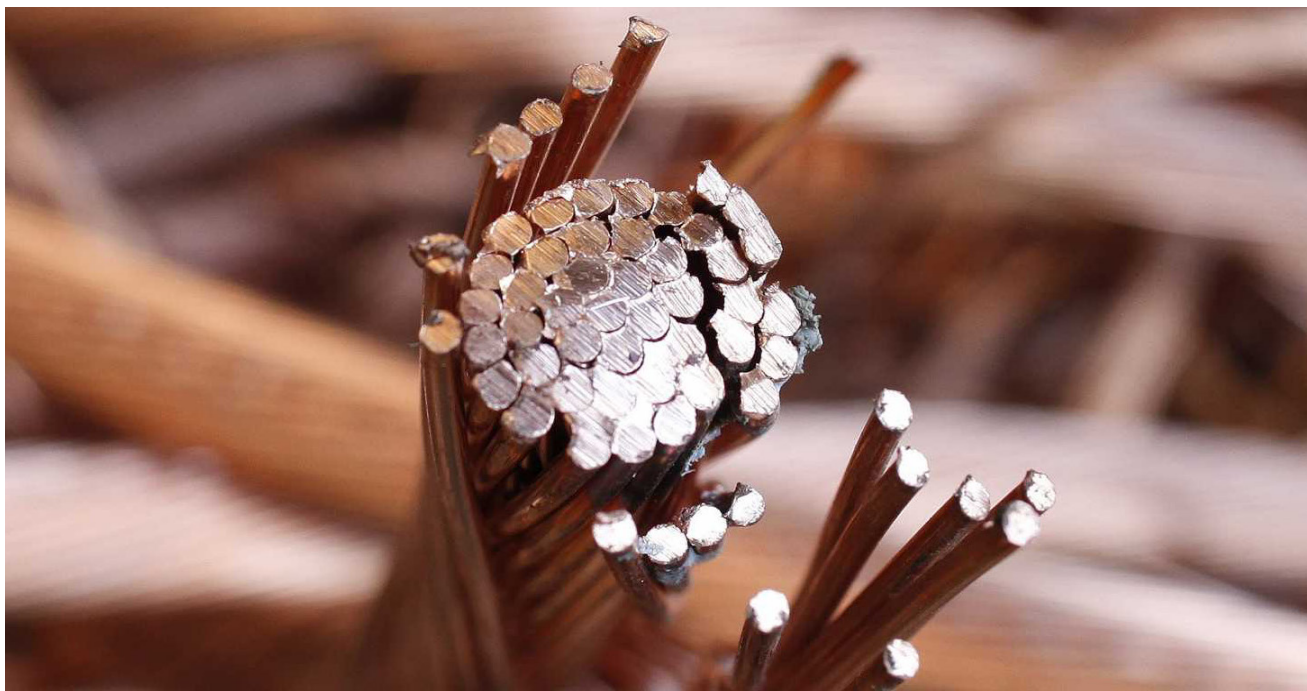
Between 2010 and 2012, the company paid MNT 1.6 trillion (USD 804 million) to the government. MNT 437 billion of that are taxes paid directly to

the state and local budgets. The rest are various fees, social security taxes, VAT paid to suppliers, advance payments and other financing and indirect payments.

As for last year, around USD 300 billion was paid to the state and local budgets. Tax revenues will significantly increase and dividends on shares will rise as the operation of the underground

mine stabilises. The prime minister stated that according to the "Underground development and financing plan," Mongolia will get 54.9 percent of the Oyu Tolgoi deposit's profits. Many people say that the current economic situation was caused by the sharp decline in foreign direct investment over the last two years of project delays.

The inability to resolve tax disputes brings nothing but disrepute to Mongolia, which wants the world to see it as a favourable investment environment. Tax disputes will not be resolved and our country will continue to be called "Hotel Mongolia" unless we take decisive measures and adhere to modern standards. ■



COPPER

Pain and Gain

By B.Enkhtsetseg

These are tough times in the copper world. But it is still a controversial topic among copper miners whether it is just short-term pain or a long-term gain. The price of copper, used in wiring and electrical goods, has fallen sharply this year — similar to other commodities including iron ore and coal — as China's economy slows. The three-month average for the price of copper stands at USD 5995 at the London Metal Exchange. Prices for this metal are hovering near five-year lows, and miners are grappling with waning demand from their most important customer, China.

The International Copper Study Group expects world apparent refined usage in 2015 to increase by only 0.6 percent, mainly because although industrial demand growth in China is expected to be around 4.5-5 percent, apparent consumption in China is expected to increase by just one percent. Consumption in the rest of the world is expected to remain essentially flat. For 2016, the growth in apparent refined usage is expected to be around 3% with the underlying Chinese industrial demand growth expected to be 5 percent. Usage in the rest of the world is

expected to increase by about 2 percent. After underperforming in 2014 with a growth of just 2.4 percent, global mine production after adjusting for historical disruption factors is expected to increase by around 5 percent in both 2015 and 2016 to 19.5 Mt (million tonnes) and 20.5 Mt respectively.

The increases will reflect expansions of existing operations, ramp-ups in production from mines that have recently come on stream and output from a few new mine projects. Most of the new production is expected to be in the form of copper concentrate. At

the CRU World Copper Conference in Santiago, there are likely to be divisions among attendees over whether copper will suffer a prolonged downturn like iron ore. Also, unlike iron ore, copper does not suffer from excess supply, with analysts forecasting a modest surplus this year. "Copper is continually constrained on the supply side, and that is unlikely to resolve itself in the near future," Barclays analysts said. But as China nears the end of the second quarter – normally the strongest in terms of demand – there are few signs of a pick-up. The speed of credit approval from banks has slowed. Fabricators are not operating at full production capacity, and traders are still waiting to make long-term supply contracts, according to market participants. Stocks of copper in the country's port warehouses have also failed to fall, suggesting weak demand.

Christophe Allain, Corporate Purchasing Director at the French cable manufacturer Nexans, was quoted in the Financial Times saying, "There is one cloud hanging over the long-term outlook for copper: aluminium. The contrasting performances of copper and aluminium over the past decade – the red metal is up 319 percent, versus 40 percent for the light metal – means increasing numbers of companies and governments are looking more favourably at aluminium for cabling."

On the supply side no other country comes close to Chile's dominance: it alone produces about a third of the world's copper. Companies including Chilean state-controlled miner Codelco, Antofagasta, BHP Billiton, Anglo American and Sumitomo all have operations in the country. There is an air of uncertainty around future investment in the country. The quality of the copper in Chile's mines is in decline, increasing costs for the miners because they have to produce more to satisfy customers. Other mining companies, such as Glencore, have invested in copper production in the Democratic Republic of Congo and Zambia, where ore grades are higher. Anglo American is in the process of trying to sell three of its smaller copper mines in Chile.

The copper market thrones are being shifted elsewhere, but gradually so. The Oyu Tolgoi mine is one of the biggest players in this game of thrones. But it

will take at least seven years to ascend, as work on the underground mine is starting only now.

Good news

Still, as billions in private equity has been raised to put into mining deals, copper could be attractive if prices are set to rebound.

"People see the long-term potential for the industry," one industry veteran said. "You have declining grades globally, and if you can find a decent mine already operating or close to operating that adds value." If we look at international conferences these days, we would notice that a positive outlook looms over copper miners in the long term. Both producers and analysts predict a positive future for copper for the most part despite some risks. First, the plunge in prices is no disaster. Some small, high-cost producers may be struggling, but the industry's healthy margins mean larger miners and producers remain in the comfort zone.

"The big companies are still making money," says Colin Hamilton, metals analyst at Macquarie, to the Financial Times.

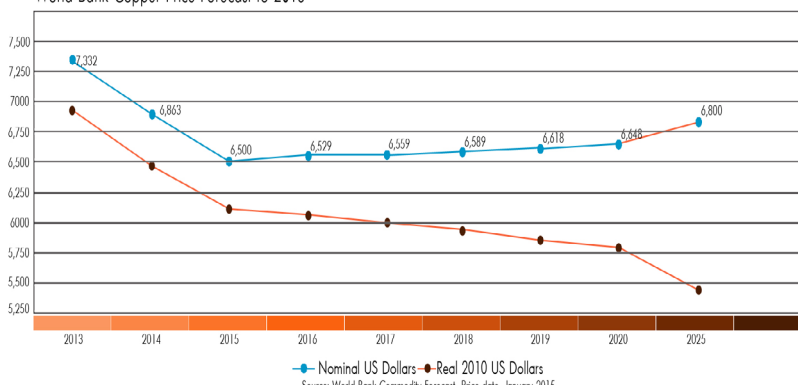
According to the World Bank, copper will not experience high prices for the next decade, far from the USD 8000-9000 per tonne at its peak in the past. The World Bank expects copper to stay flat at

around 6800 until 2025. The International Monetary Fund projects the price to reach 5734 by 2020. The Economist's Intelligence Unit projected similar (see charts 1 and 2).

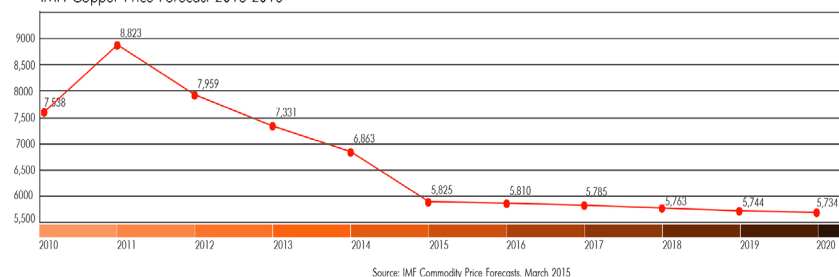
In terms of consumption, China has reached a critical mass where even a slower rate of growth is going to generate a decent increase in volume. With the larger base and the recovery in developed markets, global copper consumption is expected to increase by 7 million tonnes over the next 10 years, compared to the increase of 5 million tonnes since 2004.

Perspective is needed when thinking about a surplus. Thanks to the commissioning of new projects and mine expansions, the refined copper market is oversupplied. But the size of the surplus forecasted – less than 500,000 tonnes at its peak in 2016 – is small, representing only about 2 percent of current global consumption. Few people dispute these matters because the maximum output over the next decade can be forecasted reasonably accurately; it takes, on average, 11 years for a copper mine to go from conception to production. "There is a wonderful opportunity for those well-placed to fill that [supply] gap," says Peter Beaven, president of copper at BHP Billiton. "There is a prize to be won." ■

World Bank Copper Price Forecast to 2015



IMF: Copper Price Forecast 2013-2018



Source: IMF Commodity Price Forecasts, March 2015

KFC MONGOLIA OPENS THE FIRST EVER DRIVE THRU IN MONGOLIA



KFC Mongolia owned by Tavan Bogd Group, today introduced the first-of-its kind and the only Drive Thru experience in Ulaanbaatar at the newly opened KFC Peace Avenue branch

ULAANBAATAR, 29 May – Exactly 2 years after opening the first KFC restaurant in Ulaanbaatar on May 29th, 2013 and having served almost 3 million customers - KFC Mongolia is opening its sixth and the very first Drive Thru in Mongolia.

Today, Piper Anne Wind Campbell, US Ambassador to Mongolia, Bayangol District Governor D. Orosoo, Ajay Kumar, Restaurant Excellence Manager of KFC, and D. Hulan, CEO of Tavan Bogd Foods LLC cut the ribbon on the first KFC Driver Thru in Mongolia.

The special lane for Drive Thru is located near the entrance where customers can order their KFC food and beverages and collect their orders in the comfort of their car's seat.



The building houses both KFC and Pizza Hut brands enclosing in between, children's playground and Eye click interactive games, giving families with children a truly unique experience over a great meal.

To mark its opening, grandiose drum show by the Japanese Taiko drummers and motor-bike stunts performed at the Grand Opening ceremony.

Driving red Mustang, Ambassador Campbell and CEO Hulan, were the first two customers who ordered through the Drive Thru announcing its opening.



D. Hulan, CEO of Tavan Bogd Foods LLC, in an interview said "Exactly two years ago when we opened our first KFC store, we promised to deliver the first ever Drive Thru experience in Mongolia! I am now glad to announce that we have managed to keep that promise!"

The benefit of the Drive Thru, she said "is convenience for customers to take away and less waiting period. Also having both KFC and Pizza Hut brands together gives even more options to our customers, you can take-away, dine-in or even get it delivered to your home."

When asked about the reason to have a store catered only to suit a left hand side wheel cars, she said, "It will be a challenge but as Mongolian road and traffic regulations are all

based on the left hand wheel cars we should do the same".

She revealed, "We are working to introduce another two new KFC stores and they will be located at Zaisan and 1st micro-district, both to open within 2015."

She added, "We are also looking to open more KFC stores at other parts of UB however, the important factor is finding a suitable location."



Open from 10am until 11pm daily, the KFC Drive Thru located at Peace Avenue (near formally known 25th pharmacy), will offer a limited menu to allow a quick service. However, the dine-in and takeaways from inside the store will offer the full menu.

The public is welcome to visit the first-ever Drive Thru in Mongolia.

About Tavan Bogd Group

Tavan Bogd Group is a privately-owned Mongolian conglomerate with strategically diversified business interests in trade and services, manufacturing, tourism and hospitality, construction, supply of mining equipment, and banking.

About YUM! Brands Inc
YUM! Brands Inc., based in Louisville, Kentucky, is the world's largest restaurant company with nearly 41,000 restaurants in over 125 countries. YUM! Is ranked #213 on the Fortune 500 List and generated more than USD 13 billion in revenue in 2014. YUM! Brand's KFC, Pizza Hut and Taco Bell are global leaders in chicken, pizza and Mexican-style food categories respectively.



Cartoon by A.Ama

IMAGINE

Grandma and Oyu Tolgoi

By E.Zorigt

According to grandma, the Oyu Tolgoi (OT) and Tavan Tolgoi (TT) projects are lurching because they are cursed by people gossiping about them. Perhaps it is not entirely her fault in thinking so. Talk of the issues surrounding these two projects is inescapably ubiquitous. Any time you turn on the television, radio or

pick up a magazine, there they are. My grandma worriedly told me, "Son, you stay away from those two scandalous things. Even the involved ministers and directors are getting fired; it'll be even worse for you." I did not want to write about Oyu Tolgoi or Tavan Tolgoi when I thought about my grandmother's advice.

However, I am not going to write about Mongolia with OT, but rather Mongolia without OT, so I hope these curses take a detour and pass around me. Knock on wood.

So let us imagine a Mongolia without Oyu Tolgoi. First of all, there would not have been so many wise guys talking



about OT. The media would not have repeated the same news about these wise guys day in and day out, and all of our ears could have rested easy. Most politicians would have nothing to speak of, and would have crawled through Facebook and Twitter and take selfies with one another, but forget about Modi and Abe coming to Mongolia and taking selfies with President Elbegdorj. It would not be outlandish to say that had Oyu Tolgoi and Tavan Tolgoi never existed, Mongolia would have never crossed their minds in the first place. S. Ganbaatar would not have become a member of parliament, but he might have stayed as the head of the Confederation of Mongolian Trade Unions. Even my aunt T. Oyun-Erdene probably would not be

a marketing manager at a construction company, but remain as a cafeteria dishwasher, and my uncle T. Enkhdelger would not be selling cars but still fixing them.

There is a reason to why I believe the alternative universe without OT would have been this way. In 2009, the economy contracted by 1.3 percent. During those recessionary days, my uncle was a repairman and my sister was a dishwasher. Then came the news about Oyu Tolgoi, and real GDP growth suddenly jumped to 6.4 percent. My uncle established his own business selling cars, and my aunt started her current position as a marketing manager. Aside from my aunt and uncle, many of my relatives become miners or construction workers with good salaries. The rather clever ones became businessmen. Some of them went to the US or Australia to study or travel when economic growth averaged 13.6 percent from 2010-2014. At the beginning of last year, most of my acquaintances bought apartments, smart phones and the ever popular Priuses when they heard talk of GDP reaching MNT 17.6 billion and annual per capita income reaching MNT 6.5 million. Some of my friends and relatives were trying to persuade me saying, "Become a miner or a construction worker. You will have your own apartment and car. Just look at me." Right as I was on the verge of listening to their persuasions, Oyu Tolgoi and Tavan Tolgoi stalled, and economic growth started to slow. Most of my brothers and sisters became unemployed with mortgages to pay. You do not have to be a genius to realise that the tremendous growth of the economy and foreign direct investment are directly linked to deposits such as OT and TT. The evidence is in the numbers: 80 percent of the USD 4.17 billion in investments went towards the mining sector.

Economists were forecasting that Mongolia's economy will grow at such high rates until 2019, fuelled by OT. Politicians definitely proved them right. Uncertainty surrounding the Oyu Tolgoi underground mine and its financing stopped the flow of capital into the Mongolian economy. Essentially, the economic engine was out of fuel. Foreign direct investment fell by 17 percent in

2012, by 47 percent in 2013 and by 64 percent in 2014. These figures are a key factor in the recent economic decline. The flow of foreign currency into the economy slowed; the balance of payments deficit rose; and economic instability ensued because of the dramatic fall in foreign direct investment. Many other sectors related to mining also felt the effects as investment in the mining sector plummeted. It was evident from the rises in overdue loans in the trade, construction and manufacturing sectors. My brother and sister are real life examples. My uncle's cars and the apartments of the company where my sister works have stopped getting sold. The reason is that the miners are unemployed and unpaid, so they cannot buy homes, cars or sometimes even a loaf of bread. Staring at the ceiling, my poor aunt and uncle said, "I pray that OT and TT get moving again. We voted in the phone survey to move forward with these major projects." When my sister went to the old Irish pub where she previously worked as a dishwasher if they would rehire her, they said, "Foreigners who were regulars here left the country after OT was halted. We cannot even think about hiring you, when we are worried about how we're going to make rent."

My grandmother prayed looking at her unemployed children and grandchildren: "Please god, show your kindness and take care of Oyu Tolgoi and Tavan Tolgoi. Please god, forgive us." I do not know if god heard my grandma's prayers, but the good news that the OT project will resume has been disseminated. My unemployed relatives were refreshed to hear the good news and remarked about how they will be working again soon. Even G. Bayarsaikhan MP said, "Residents of Chingeltei district who previously worked for OT with a salary over MNT one million will be rehired. This is the clearest sign of the positive impact OT can have moving forward." If our recent situation was due to OT stalling, I cannot even imagine a Mongolia had OT never existed. So let us finish the job that we started, and try to do it without any more fighting and arguing. It will be mutually beneficial. If all else fails, I guess could always ask my grandma say another prayer. ■



RESULTS

Catalyst for Development

By G.Tushee

A little girl watching TV curiously asked her parents, “Everyone is going on and on about Oyu Tolgoi. What is that?” To her, “Oyu Tolgoi” (OT) sounded like some kind of superstar. There is a reason why those two words are hot on the lips of Mongolians and the international community alike.

The Oyu Tolgoi project should benefit not only South Gobi region, but the future of Mongolia as a whole. The mine located in South Gobi province has been a pillar of the country’s development for years.

The International Monetary Fund projected that the Mongolian economy will grow by a third when OT starts to operate at full capacity. In July 2013, the mine began exporting its first batches of copper concentrates, and its one millionth tonne of copper concentrate was exported last year. Now, the construction of the underground mine is

about to begin. In other words, the IMF’s above mentioned estimate may actually come true. Oyu Tolgoi is planning to produce 175-195 thousand tonnes of copper and 600-700 thousand ounces of gold concentrates this year.

Located 550 kilometres to the south of the capital and 80 kilometres away from the Chinese border, Oyu Tolgoi began production in 2013, and since then, it has made significant contributions to the country’s economy and the development of the Gobi region. To date, OT has paid a total of USD 1.3 billion in taxes, royalties and other payments to the Mongolian government. According to company officials, taxes and fees paid to the state budget are expected to consistently increase in the future.

Mongolian and international experts are working side by side on this project. Oyu Tolgoi says that it emphasises hiring locally and preparing future miners in

Mongolia. At the end of 2013, 90 percent of the company’s total workforce was composed of Mongolians, and today this figure is 95 percent. Of those, 21.7 percent are residents of South Gobi province.

As for the company’s previous developments, a 40-kilometre long, 35 kilowatt, double-stranded overhead transmission line and sub-stations were built between the OT mine and Khanbogd soum at a cost of MNT 7.6 billion, permanently connecting Khanbogd soum to the electrical grid. Oyu Tolgoi has implemented over USD 40 million in projects in South Gobi province and is currently developing the mining infrastructure in Khanbogd soum in cooperation with the local residents. It is a real opportunity for the soum’s unemployed residents to find work and earn income. A paved road was built from the mine to the Chinese border, and



residents and mine workers to fly directly to Ulaanbaatar by plane.

Behind the opportunity

Khanbogd residents are the people most directly feeling the benefits of the mine's development. Three years ago, economist D.Jargalsaikhan said, "New infrastructure and a new popular culture will arise in the southern region. Depending on our approach, sustainable development following the mining project can be achieved." Today, we can see that this new micro-civilisation is already being established in this region. The numbers tell the story. The number of households in Khanbogd is around 1,700, and total residents are nearing 4,000 in the first quarter of this year. This is a 10-fold increase from a decade ago.

The most important factor determining OT's stability and security is the cooperation of local residents. As such, the company is cooperating with locals to develop the area. When asked about the amount of money spent on development, executives of Oyu Tolgoi said, "We don't

development of the locality and of Oyu Tolgoi, because it is not just about today or tomorrow; it is a long-term project. They are thinking beyond the purely monetary aspect of developing the project and the region – their developments are to benefit the future.

Oyu Tolgoi says that the most important aspect of the works underway is the long-term development cooperation agreement they made with the local residents. The company's executives have signed agreements with the heads of Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad soums in South Gobi province. Oyu Tolgoi LLC will invest USD five million each year via the "Development fund" over a span of 30 years under the agreement. The agreement is focusing on issues such as local economic development, social infrastructure, the environment and conservation of cultural heritage. In the first quarter of 2015, OT spent over USD 280 thousand on health and safety, local infrastructure, pasture management and reviving old wells. As for more recent actions, they handed over the Community Development Centre to the Khanbogd administration on the 25th of May.

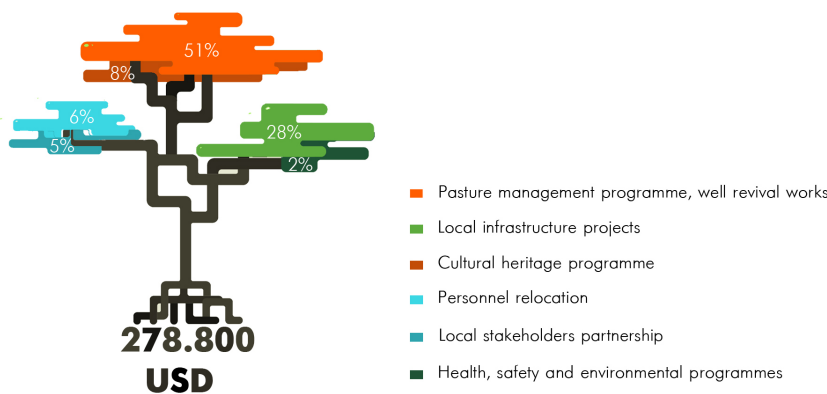
The most significant social undertaking from the OT mining project is aimed at the education sector. There is a USD 126 million project to support personnel qualification. Under this project, vocational training centres were established in Khanbogd soum and Nalaikh district in the nation's capital. They also invested in vocational schools in Dalanzadgad, Erdenet, Ulaanbaatar, Darkhan and Choir to improve their training equipment and curricula. It shows that the company is putting emphasis on training internationally competitive and capable specialists by investing in the education sector. The company will report the results of this project at the end of this year.

Oyu Tolgoi has shown through programmes such as those mentioned in this article that they want to give back to the community. There is no doubt that the project's future returns will impact Mongolia's development and economic growth in ways that cannot be measured in dollars or tugriks. ■

even roads in the centre of town have been built. It should also be noted that



USD 744,000 was spent on education and training programmes in the first quarter of 2015



they built Khanbumbat airport, which has a runway length of 3,250 metres and width of 45 metres, allowing Khanbogd

like to value our contributions in dollars or tugriks." They regard their development as a contribution to the sustainable



TEMASEK

A Method to Optimise State-Owned Enterprises

By Burenjargal

Developing and developed countries have been privatising thousands of companies for centuries. For example, most of the companies in Russia were state-owned, but it is much less. As for developed countries like the UK, Australia, Canada, Japan and France, the number of one hundred percent state-owned or state-controlled companies decreased from 100 to 10.

The number of state-owned factories in China decreased to approximately 20 thousand. A recent study by Forbes magazine showed that state property is predominant in developing countries. Our country is no exception. Mongolian state-owned enterprises (SOEs) have a bad reputation: always operating with in the red, having poor service and being bureaucratic. The majority of state-owned companies are unprofitable and live off the state budget.

As of 2012, the total assets of Mongolian SOEs amounted to MNT 12 trillion, yet it has been statistically verified that their total returns amount to less than one percent. Experts have been recommending establishing the necessary legal framework and implementing specific policies and programs for all sectors in order to change this. Corporate governance of SOEs must be based on business principles such as not having exclusive rights from the state, and basic operations not being directed at providing services to the state.

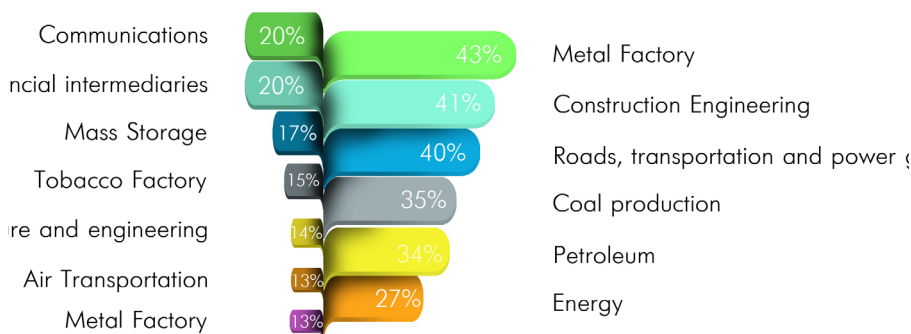
However, this standard is simply not seen in Mongolia. Therefore, our priority should be to implement policies based on business principles and enact reforms to the state-owned system. Our SOEs are studying the example "Temasek Holdings" in Singapore, a country that

overcame similar obstacles in becoming a financial hub. Decision makers believe Temasek Holdings' governance models can be emulated and fitted to Mongolia.

Looking at the experience of other countries, there are two main reasons for the formation of SOEs: it is predominantly useful in strategically important sectors and monopolised economic sectors. In addition, there are situations where it would make sense and be more profitable if two or more smaller companies merged to form one company due to technological features of that sector. SOEs may be established in a country's strategically important sector. For example, this can happen in sectors such as defence, oil, gas, coal and other natural resources and mining sectors. Researchers at the

Organisation for Economic Cooperation and Development studied the world's top 2,000 companies listed on Forbes magazine by taking a survey from their 330,000 branches. In doing so, they sought to determine their impact on the global economy. The survey considered an entity a state-owned company if 50.1 of the company is owned directly or indirectly by the respective state. In addition, five countries predominant with state-owned companies were China, UAE, Russia, Indonesia and Malaysia.

Graphic 2: Percentage of state-owned companies (by sector)



Temasek Holdings is administering a policy to cooperate with Mongolia's strategically important deposits and solve resolve issues around its infrastructure and processing. B.Byambasaikhan, CEO of Erdenes Mongol, said that introducing the Temasek model to the state-owned system will improve companies' governance, management

on competitive business principles. This in turn reduces the productivity of SOEs and makes their operations inefficient. It also affects companies' policies and human resources, making illegal acts such

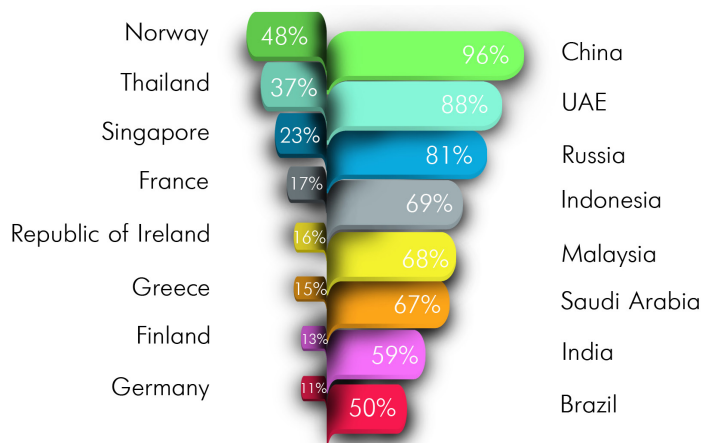
Source: Kowalski, et al. (2013)

governance and effective management of SOEs.

The reason why they say Temasek Holdings' method of governance is appropriate for Mongolia is that it separates and limits the state's direct participation in the business operations. In other words, SOEs operate free of political influence and work according to business principles.

Thus, it separates the decision making process of governance from politics, making the company more efficient, effective, transparent and consistent. Temasek's investment strategy seeks long term sustainable returns more than short term windfall gains. Aside from Singapore, internationally successful companies have also adopted the Temasek strategy. Temasek's business model develops highly educated and productive human capital, which allows them to help boost subsidiaries' performance as well.

Graphic 1: State-owned share of the 10 biggest companies in various countries



and diligence on their responsibilities. In addition, it will create an environment where property rights will be protected by law and companies' quality and level of management will improve. D. Dolgorsuren, Associate Professor at the Department of Economics of the Academy of Management, shared her view on the causes of unprofitable SOEs in Mongolia: "Dependence on the state and a distorted system where the state has exclusive privileges made the companies' governance unhealthy. This misshapes decisions, whereas they should be based

as bribery possible." Erdenes Mongol LLC, the parent company of state-owned companies such as Erdenes Tavan Tolgoi, Erdenes Oyu Tolgoi, Baganuur and Shivee-Ovoo, is going to cooperate with largest investor in the Singapore region, Temasek Holdings.

Temasek Holdings was incorporated in 1974. As of 2013, its total assets amounted to USD 250 billion and had net profit of USD 12 billion. Given such an accomplishment, Temasek Holdings has become a standard for good

Researchers claim that this corporation's participation played a vital role in the sustainable development of the Singaporean economy. In the past, a few large companies such as EMC accounted for the most of the intake of the state budget, but the private sector is making the rest of the money the country is spending. Therefore, experts explain that Temasek's experience will be a good example showing that SOEs must do business under free market principles and make their policies and operations sustainable. ■

European Mining Giants' Thoughts on Mongolia

By G.Orkhon

Representatives from Mongolia, Macedonia, Indonesia and Vietnam attended an industry meeting in Katowice city, located around 290 kilometres south-west of the Polish capital Warsaw. Organised by the Polish Ministry of Economy, the promotional event "Made in Poland - Export Stimulation on Selected Markets" assembled 24 entrepreneurial companies from the aforementioned countries and 40 manufacturers of Poland.

The program aimed to promote Polish exports and to strengthen trade between 11 select countries, one of which was Mongolia. Our two countries are aiming to improve the trade and cooperation in sectors such as mining, food and agriculture. As of last year, Poland's exports to Mongolia totalled EUR 35 million and imports from Mongolia totalled EUR 68 thousand. Officials from the Polish Ministry of Economy said that they are unsatisfied with this rather large difference and will aim to narrow this import-export gap as much as possible.

Representatives from the Mining industries of Mongolia, Macedonia, Indonesia and Vietnam met with Polish manufacturers in the Polish city of Katowice. The attention of 20 of Poland's entrepreneurs in the "Miedzynarodowe"

international conference centre in Poland was directed towards Mongolia. During the two-day B2B meetings, foreign guests were buzzing around Mongolian representatives. Not too long ago, several mining operations in Poland were halted because their equipment could not handle the necessary deep drilling. However in recent years, manufacturers developed machinery and equipment with the capacity to reach these depths and have begun to revive these formerly-closed mines. The inventions are not only smarter and more automated, but also boast a higher quality and easier usage. The leading mining equipment manufacturers in the Polish and EU markets shared their thoughts with us.

Krzysztof Karkoszka, Marketing Director of Karbo LLC:



Our company manufactures



explosion-proof electrical equipment for underground mining. We are certainly interested in cooperating with Mongolian companies and manufacturing our products in Mongolia itself, because transporting the products from here is simply not logistically feasible. We are more interested in Mongolia than, say, Kazakhstan or Russia, because there will be greater mining development there. Our company produces for 65 percent of the Polish market for these types of equipment. In addition, we account for 50 percent in Argentina and Vietnam and 20 percent in Ukraine.

Bogdan Kulisz, President of Trans Tel:



Our company has been manufacturing radios designed for communication with personnel in deep mines for 25 years. A total of seven countries including Portugal and Turkey are using our products. We also cooperate with English and German companies; however, this



is our first meeting with entrepreneurs from Mongolia. We work with lighting equipment manufacturers from Turkey. Lighting products we manufacture are fitted with a position locator. There was a methane explosion recently in Poland and it was gruelling to find the mine workers after the explosion. Mine workers who are carrying our lighting products can be found from anywhere. We worked for five years to enter the Vietnamese market. We expect it to take the same amount of time to enter Mongolia's market; however, we would like to enter it as soon as possible.

Waldemar Mikler, Marketing Research Director of Nikwa LLC:



We have only recently gained interest in Mongolia. We have entered the markets of China, Latin America, Colombia and various European countries. We used to supply our products to Vietnam, but the relationship with our partner company there was

lost. We are working to restore that relationship. Our company manufactures underground machinery and equipment with 180 years of history behind us. Our underground mining machinery manufacturing accounts for 100 percent of Polish market. We manufacture a total of 20 different kinds of products. We have an interest in establishing our service company in Mongolia.

Robert Zlezarczyk, Director of the Sales Department of TF Kable:



Our company ranks third in Europe in cable manufacturing. We have factories in Ukraine and Serbia and employ a total of 3,000 workers. We manufacture an average of 60-100 kilometres of mining cables per month. We manufacture EUR 800 million worth of products per year, of which 60 percent is exported. We supplied the first two kilometres of cable for the Oyu Tolgoi mine. This cable supplied to Mongolia

illuminates the dark and is mostly used in open pits. We are cooperating with Mongolia's "My Mon Source" company at the moment. We visited Mongolia two years ago and hope to visit Mongolia again very soon.

Rafal Zarzycki, Deputy Director of the Board at Gonar LLC:



Our company has been operating since 1974. We manufacture all kinds of equipment used in mining tunnel construction and drilling. We supply our products to most European countries including Norway, Sweden and the Czech Republic. As for Asia, we supply our products only to Vietnam at the moment; we have not taken specific steps to enter Mongolian market yet. We are at the research stage as of now. Our company's products account for 80 percent of Poland's mining market and about 50 percent of the road and construction market. Our secretto success is hard work. ■



FEATURE DEVELOPMENT

Jardin Residence

Best of the Best

Mongolia's "Jardin" Residence has won a prestigious award in the property business. Are you wondering what exactly Jardin is?

In French, "jardin" means garden. It is certainly a fitting name, since anyone visiting Jardin can see its natural beauty. Upon entering, your mind will be eased and your thoughts cleared by the beauty of nature and the floral aromas. Even its green facility has special trees and plants that can emulate the seasons by different colours, greeting you in a fairy tale-like fashion as the year's equinoxes and solstices roll by. The sidewalks around Jardin are directly connected to a hiking

path. There, you can go and be with nature to your heart's content.

However, Jardin is not only just a garden. On its premises is also J.Clubhouse, where everyday services as well as an upscale restaurant and special services can be found. The special services include things such as car washing, entertainment and reserving airline tickets. Jardin has a fountain, a children's playground, a basketball and a mini-football field the residents can enjoy. To get more specific, Jardin is a luxury apartment complex on 2.5 hectares of land developed by S Development LLC, with 30 percent of the total area dedicated to green facilities.

It is a masterpiece that has vibrant greenery, satisfaction, comfort, safety and technology all in one place. Italian architect Gennaro De Angelis developed the original concept and architectural design of this masterpiece by adjusting it to the harsh climate of Mongolia and created a perfect environment to live in peace and comfort.

"You can choose from 130-380 square metre apartments with seven different kinds of interior design and appearance. In other words, we're offering not only the apartment, but also a comprehensive solution to interior design. Some rooms used deep blue or emerald green colours reminiscent



of the Mediterranean Sea, while others used classic Asian styles of fresh wood lined walls," said Luciano Cosmo, Senior Architect.

Jardin and the International Property Awards

The International Property Awards is a prestigious institution headquartered in the UK and has been awarding the world's finest property and real estate companies annually for 21 years. The Jardin luxury residence participated in this year's Asia-Pacific Property Awards and scored the highest score to take the prize in the "Best Apartment Mongolia" and "Highly Commended Residential Development Mongolia" categories. Construction companies from 25 countries such as Japan, Australia, Singapore, Hong Kong and China competed in 32 categories such as interior design, architecture, hotels and resorts, luxury apartments and villas and best construction company, just to name a few.

Furthermore, the International Grand Final ceremony being held in the UK this year will award the best companies in the world from the winners of each region's competition. "Winning this prestigious Asia-Pacific award has demonstrated

the Mongolian construction sector's competitiveness in the international real estate sector," said M.Enkhjargal, Sales and Marketing Director of S Development LLC.



The annual Asia-Pacific Property Awards competition is the most competitive of them all. Organisers explain that due to countries such as Japan, Australia, Singapore, Hong Kong and China having highly developed construction industries, the Asia-Pacific region is more competitive compared to other regions.

International Property Awards, headquartered in the UK, consists of three members of the country's House of Lords and 70 professionals from construction industries such as hotels and tourism, construction and architecture sectors. ■

