



THE MINISTRY OF INDUSTRY AND TRADE OF MONGOLIA

The Ministry of Industry and Trade shall achieve the following strategic aims within its mission:

- ~ Improve policy and strategic planning of economic development, prepare proposals for investment and project loans, and issue policy guidelines
- ~ Formulate coordinate, and implement the perspectives, development policies, strategies, programs, and projects of the industrial sector in the short and long-term
- ~ Design trade, economic cooperation policies, strategies and programs, and coordinate policy implementation
- ~ Formulate, coordinate and implement the perspectives, strategies, programs and projects of the mining and mineral sector in the short and long-term
- ~ Secure the vanguard of Governmental leadership, provide adequate human resource management, monitor, evaluate and implement the current situation of sector specific policies.

Reasons for FDI from the Mongolian perspective

- ~ Provides access to financial or non-financial inputs
- ~ Provides opportunities to enter new markets
- ~ Provides opportunities to acquire new technology
- ~ Provides opportunities for learning
- ~ Generates new ideas and opportunities for the future
- ~ Creates opportunities for long term growth.

Import customs duty

Mongolia applies a flat duty rate of 5 % on most imports. Purebred live animals, selected information technology, as well as medical and veterinary equipment and their spare parts are duty free. Wheat, flour and vegetables have seasonal tariff rates. Technological equipment and machinery imported by foreign investors as part of their registered capital are exempted from customs duties. Mongolia bound all these tariffs are bound higher than applied duties at a ceiling rate of 20%.

Exports duties

Mongolia applies a limited number of export duties on selected raw materials such as cashmere, camel wool, goatskins and timber. Ferrous and aluminium waste and scrap are also subject to export duties. The main legislation governing export duties are the “Law of Mongolia: Determining the Amount of Export Customs Duty to be imposed on Certain Commodities” (approved on 29 march 1996)

Value added tax (VAT)

The VAT rate is currently 15 %. VAT is levied on goods and services sold in Mongolia. Technological equipment and machinery imported by foreign investors as part of their registered capital in priority sectors are exempted from VAT. The payable VAT will be reduced by an amount equal to 10 % of the value of raw materials purchased by companies manufacturing goods using primarily agricultural raw materials and selling their products on the domestic market.

Licensing

Export and import licensing covers a limited category of goods. These goods are mainly used for the protection of life, health, and the environment. Export licenses are required for uranium, uranium concentrate, livestock, animals and animal raw materials (e.g. antlers, horns, musk etc.,) Both import and export licenses are required for poisonous chemicals, blood and blood products, vaccines, guns and explosives.

GSP+

The European Council has approved the Regulation No 980/2005 applying a scheme of generalized tariff preferences for 2006-2008 on the 27 June 2005.

According to the new Regulation, the special incentive arrangement for sustainable development and good governance “GSP+” duties on over 7200 products covered by the Regulation has been suspended. It provides for Mongolia possibilities of an export increase and diversification by ensuring duty free access to important export goods such as textiles, furskins, copper and products thereof, number of products of animal origin.

FOREIGN DIRECT INVESTMENT /FDI/ IN MONGOLIA

As a result of policy measures taken by the Government of Mongolia to establish a more favorable enabling environment, the total amount of FDI has increased significantly. This brought total FDI to more than US \$ 1.4 billion by 4,800 foreign companies from 88 countries since 1990.

The increased amount of FDI brings new investment from a diversified and growing group of international investors into numerous sectors, both new and old.

Around 80 percent of total FDI was undertaken in the period 2000-2005. Some share of FDI comprises re-investments by existing investors, which confirms the reliable investment conditions and business environment in the country. More than 40 percent of foreign investment was in the mining and geological prospecting sectors. The principal sources of FDI are summarized in the table No 1, the figures No 1 and 2.

The sectors such as geological prospecting, oil exploration and mining, trade and catering service, banking, textile industry, processing of animal originated raw materials, construction and production of building materials and food industry are leading sectors within the foreign direct investment

Summary FDI inflow in Mongolia

Table.1

Sector	Total	%	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Geological prospecting, mining and oil exploration	686,820	48.1					1,049	8,292	4,190	17,576	19,443	25,079	18,073	59,890	37,064	158,327	146,766	191,071
Trade catering service	221,282	15.5	865	533	100	363	1,022	939	1,437	7,347	3,579	5,155	5,530	5,862	89,517	6,324	38,778	53,930
Light Industry	86,846	6.1			757	617	2,786	1,956	12,048	1,484	4,818	19,175	26,458	4,933	2,885	4,361	2,728	1,840
Banking and financial services	76,807	5.4					13,506	21	4,385	147	96	2,179	701	19,713	3,887	225	22,276	9,671
Engineering construction and production of building materials	56,118	3.9		100		33	2,111	1,661	4,601	3,985	7,398	7,997	4,535	8,144	8,401	4,588	1,790	775
Processing of animal originated raw materials	54,673	3.8		18	270	1,698	1,783	7,303	9,037	1,322	2,290	8,292	11,559	6,033	296	2,792	855	1,125
Information Telecommunications Technology	25,928	1.8				45	187	8,229	1,805	73	237	3,241	201	220	593	4,202	628	6,268
Production of food and beverages	15,614	1.1			272	97	336	491	1,509	3,125	750	2,170	1,310	356	2,993	736	1,176	294
Tourism	14,738	1.0			5	75	558	295	7,790	213	300	163	304	125	719	757	1,769	1,665
Others	202,149	13.3	100	1,457	502	479	1,398	6,684	6,946	7,947	7,031	13,291	21,677	20,007	26,157	23,057	20,306	45,107
Total	1,440,975	100	965	2,108	1,906	3,407	24,736	35,871	53,748	43,219	45,942	86,742	90,348	125,283	172,512	205,369	237,072	311,746

Figure.1



