

Mongolia: Investors Forum 2006
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***Foreign Investment Environment and
Opportunities in Mongolia***

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I. LEGAL ENVIRONMENT FOR FOREIGN INVESTMENT

Foreign Investment Policy Focus

- Ensuring legal guarantees for the protection of investments and investors' rights and property ownership,
- Removing of unnecessary administrative barriers and reducing bureaucracy.

Legal foundation for foreign investment

Foreign Investment Law of Mongolia



- ***Passed in 1990***
- ***Revised in 1993***
- ***Amended in 1998 and 2002***

Major changes of 2002 amendment



- ***To maintain current fiscal incentives***
- ***To expand investment types (Investment agreement, Foreign Comp.Branch)***
- ***To legalize new forms of investment (Financial leasing, Franchising)***
- ***To introduce “Stability Agreement”***

Remittance of Dividends, Repatriation of Capital and Transfer of Rights

Foreign investors are entitled:

- to freely remit their profits and dividends
- to repatriate their own investments and capital in accordance with the relevant laws and regulations
- to transfer their rights to other persons and entities

The ease of doing business

- Business licenses and permits have been reduced from 600 to 87 following the enforcement of Special Permit Law.
- Simplified business license procedures by establishing one-stop service.
- Implementation of e-Customs

New Tax laws


- ***The new Corporate Income Tax Law*** reduces the lower tax rate from 15% to 10%, and the higher rate from 30% to 25% raises the threshold for the higher rate from 100 million MNT to 3 billion MNT,
- ***The new Personal Income Tax Law*** unifies the tax rate on taxable personal income at 10 percent,
- ***The new Value Added Tax Law*** reduces the VAT rate from 15% to 10%.
- ***The New Excise Tax Law*** imposes a monthly tax on gaming devices, changes the methodology for tax imposed on imported vehicles, discouraging importation of older, more-polluting vehicles and increases the rates on most alcohol products.

New Minerals Law

- *for more sustained and rational use of mineral resources of the country*
- ***Investment Agreement*** with the Government for a period depending on the amount of investments. The Government represented by Cabinet Members responsible for *Taxation, Geology and Mining, and Environment* issues. Such an agreement provides a legal guarantee for stable business activities.

GSP Plus scheme

Since July, 2005, Mongolia became eligible for importing to the EU market without any duties or quantitative restrictions under the GSP Plus scheme.

Mongolia  25 EU Countries

7200 product items to all the 25 EU member countries (for instance, all types of textiles and knitted products, skin and hides, wool and cashmere, beverages, spirits, wooden items, electronic goods, shoes, carpets, copper and copper products, iron and iron products, just to name a few).

It is certain that not only domestic enterprises but also foreign invested industries will benefit and it is with no doubt that their numbers will also grow.

Trade and Investment Treaties

- **Agreement on Avoidance of Double Taxation (with 33 countries)**
- **Agreement on Mutual Protection and Encouragement of Investment (with 39 countries)**
- **Washington Convention on Investment Dispute Settlement of 1965 (joined in 1996);**
- **World Trade Organization /WTO/ member (since 1997)**
- **Seoul Convention on Investment Insurance of 1985 (joined in 1999)**
- **Full member of the Multilateral Investment Guarantee Agency (World Bank Group) (since January 1999)**

UNCTAD indicates the continued growth in FDI in *Mongolia entered into the list of the leading countries by investment capacity index .*

(announced in the 2004 UNCTAD Report)

MONGOLIA's RATING

- Moody's and Fitch Ratings has assigned long-term foreign currency and local currency rating of B+ to Mongolia. The outlook on the ratings is stable.
- Fitch's rating action reflects Mongolia's market-friendly environment, healthy international liquidity position, normalized relations with external creditors and low external debt service burden.

MONGOLIA's Ranks

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

GDP growth

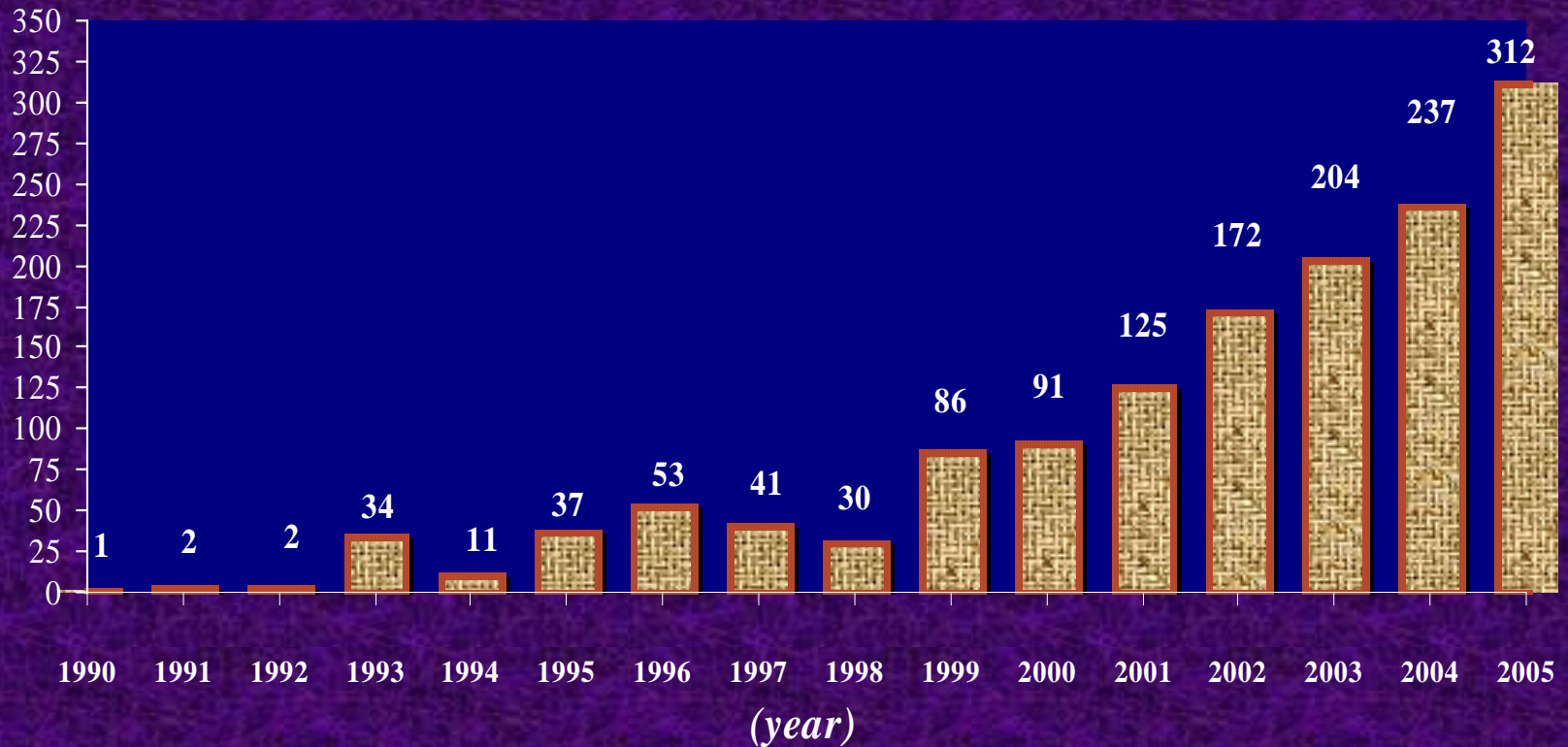
- 2003 - 5.6 %
- 2004 - 10.6 %
- 2005 - 6.2 %

II. FOREIGN INVESTMENT CURRENT SITUATION



FOREIGN INVESTMENT CURRENT SITUATION

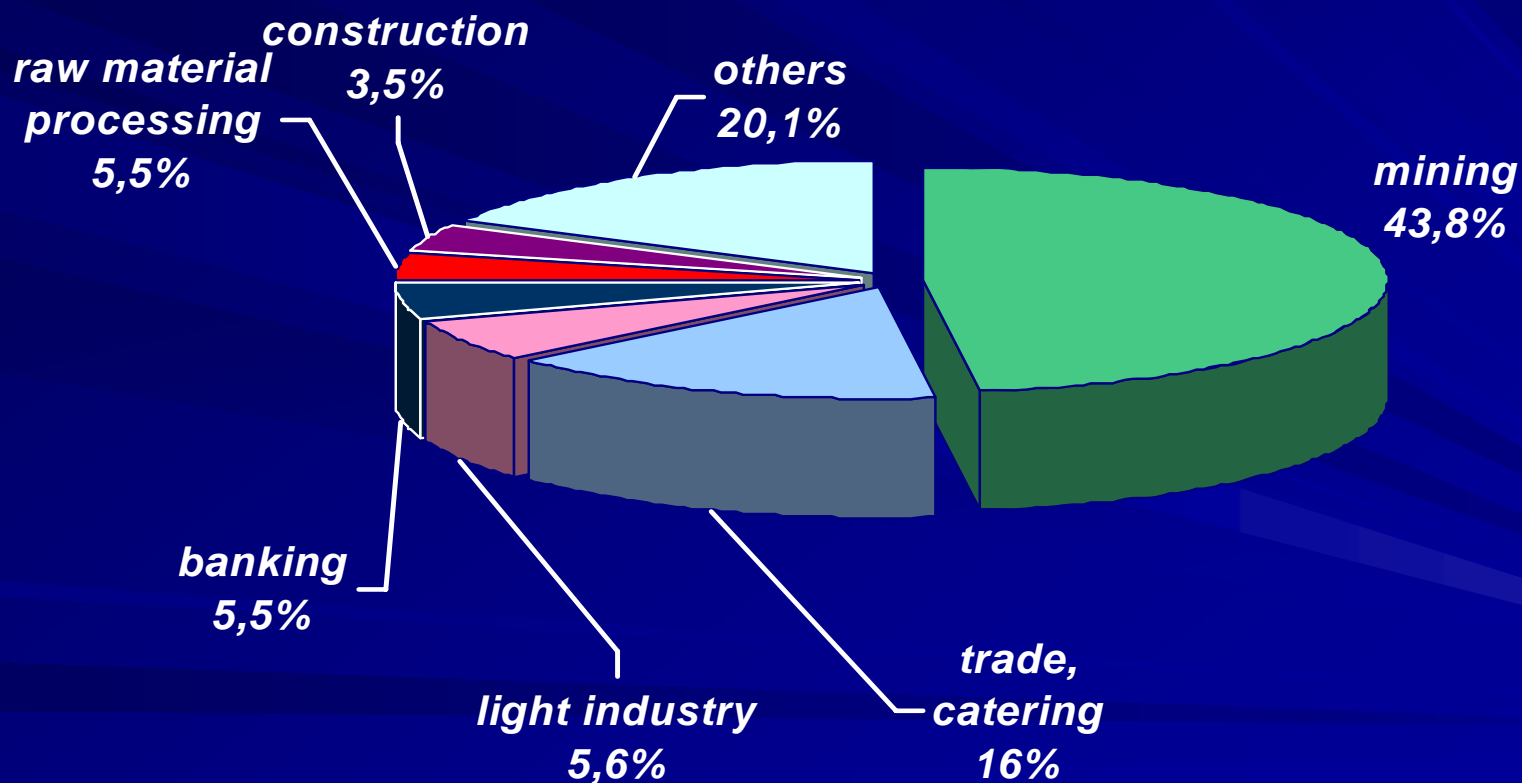
(by million USD)



Total FDI inflow - 1.5 billion
Number of companies - 5777
Number of Countries - 96
as of September 2006.

FOREIGN INVESTMENT CURRENT SITUATION

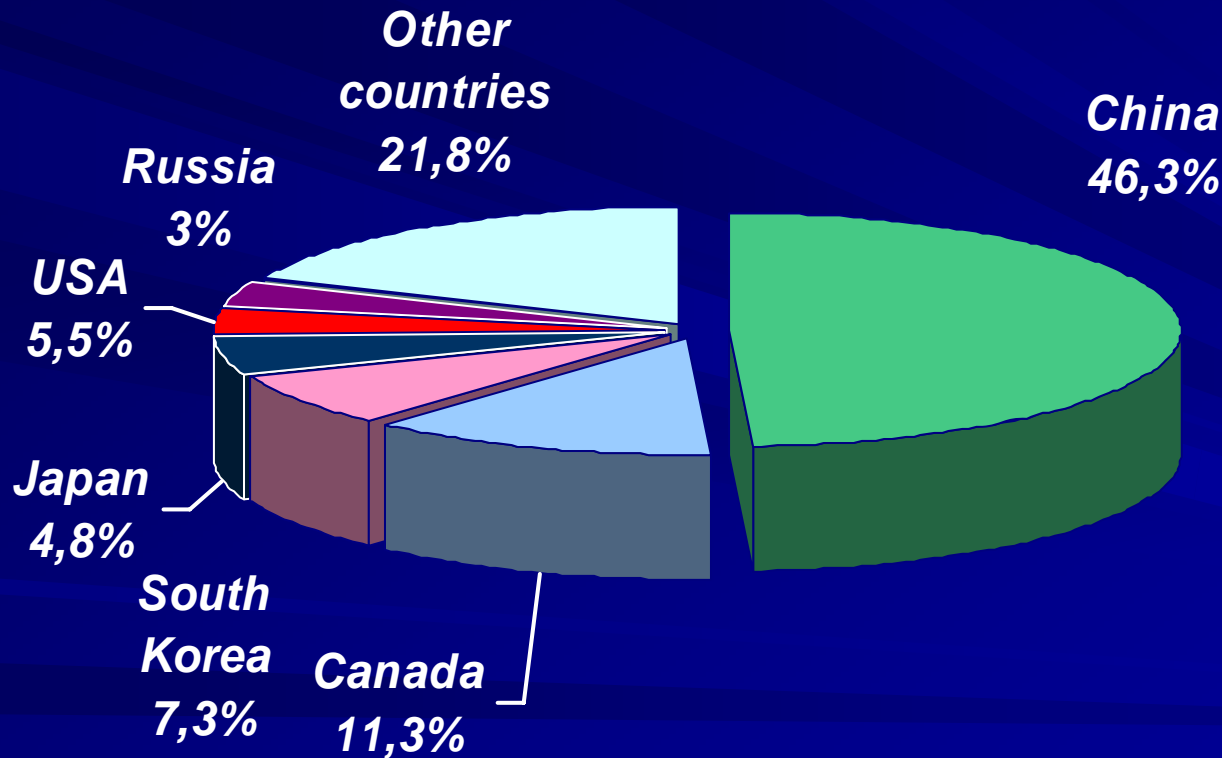
TOTAL FDI INFLOW – by sectors /1990 – Sep.2006



(Source: FIFTA)

FOREIGN INVESTMENT CURRENT SITUATION

TOTAL FDI INFLOW – by countries 1990 – Sep.2006



Country FDI (mil.\$)

| | |
|---------|-----|
| China | 729 |
| Canada | 178 |
| USA | 87 |
| S.Korea | 115 |
| Japan | 76 |
| Russia | 46 |
| UK | 43 |

Source: FIFTA

III. INVESTMENT OPPORTUNITIES

Areas for Foreign Investment

Foreign investments are allowed in

- all fields of production and services
(except production of drugs, weapons,
advertising of pornography)
- in all parts of the territory of Mongolia

Competitive advantages of Mongolia

- **Open economy**
- **Strategic and easy access to the giant markets of Russia, China and EU**
- **Extensive natural resources**
- **Young and educated workforce**
- **Vast territory, clean and undisturbed nature**

GOVERNMENT INVESTMENT PROGRAM

- Choir-Zamyn-Uud Paved Road.
- *Altanbulag* Free Trade Zone projects
- *Taishir* and *Egiin gols* Hydro power stations
- 40 thousand housing units
- Irrigated plantations
- Mining and Processing of minerals projects
- ...

Mongolia: Investors Forum -2006

■ Seeking Investors in Sectors:

- Agriculture and agro-based industry
- Light Industry
- Heavy Industry
- Tourism
- Infrastructure:
 - Energy,
 - Construction and
 - ICT sectors

■ Participants: Government and business delegates from the countries all over the world

***THANK YOU FOR YOUR
KIND ATTENTION!***