



# Doing Business in Mongolia: 2015 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in Mongolia

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#### Market Overview

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Mongolia's main economic and political challenges remain linked to ensuring steady growth through the boom and bust cycles likely to visit this commodity-producing economy. The double-digit economic growth over the past few years—2011's sizzling 17.3 percent GDP growth, for instance—has been based on the investment in, and the production and export of, minerals. Mongolia principally produces coal, copper, gold, zinc, and fluorspar. With extensive reserves, Mongolia has the potential to increase production considerably. For U.S. investors and firms, mining and mining-related services represent one of the most important and potentially most reliable sectors for long-term investment in Mongolia. Other promising sectors for U.S. exporters, based on Mongolia's economic development needs, include infrastructure, transportation, energy, construction, healthcare, and environmental products and services.

Mongolia has suffered ongoing setbacks to its economic advancement. Growth has steadily slowed from 2011's 17.3 percent to 2014's 7.8 percent. Both the International Monetary Fund (IMF) and World Bank estimate that 2015 and 2016, depending on Mongolian government policy decisions and the volatility of the price of mining commodities, may drop as low as 2 percent, with negative growth not impossible. (For IMF: <http://www.imf.org/external/pubs/ft/scr/2014/cr1464.pdf>; For WB: <http://www.worldbank.org/en/news/feature/2014/07/03/mongolia-economic-update-july-2014>.)

Two factors have and will continue to affect Mongolia's economic condition. First, more than 90 percent of Mongolia's exports consistently go to China; and so, any slowing of China's growth affects Mongolia. Second, economic policies designed to protect Mongolia's sovereign interests and to respond to the expectations of the Mongolian public have discouraged FDI – despite statements from Mongolia's senior politicians that the government is committed to improving the business environment, reigniting foreign direct investment flows, and fostering Mongolian growth. Recent policy decisions have been influenced by the political realities of a coalition government representing multiple platforms, which has complicated reaching consensus on politically sensitive issues. There are a range of views represented within parliament on what constitutes an appropriate legal and regulatory framework for mining and other activities. Statutes and regulations are often crafted in a manner which incorporates multiple approaches and political imperatives. Investors have told us that this approach to legislation and regulation can give the impression that laws are hastily passed and that regulations are

slowly created and partially implemented. Investors remain concerned that persistent criticism from some political quarters of current investment agreements, and statutory obligations undertaken by past governments, portends that commitments may not be fully respected.

Investors and companies may encounter bumpy short-run trends as Mongolia continues to come to terms with its mining endowments and how to bring them to the outside world, while satisfying domestic expectations that the mining sector should benefit the public. Investors may perceive, and have to accept that, the current political process creates an unclear policy environment that may increase investment risk, while Mongolian politicians see the process as yielding the necessary level of political comity. However, in the medium to long term, those willing to manage these issues and relationships with local partners with open eyes may find attractive opportunities in the aforementioned industries and sectors.

For a fuller discussion of Mongolia's investment climate, see the 2015 Mongolia Investment Climate Statement in Chapter 6 of this document.

**Political Situation:** Mongolia has held twelve presidential and parliamentary elections in the past twenty-five years, during which power changed political hands peacefully. There was some rioting in the aftermath of the disputed 2008 parliamentary elections; however, this now seems an isolated event in light of the peaceful presidential elections in 2009 and 2013, and parliamentary and local elections in 2012. In 2012, the Democratic Party (DP) peacefully unseated the long-ruling Mongolian People's Party (MPP). The Democratic Party has since entered into successive coalition governments, each with a stated goal of working on key economic and fiscal issues. These coalition governments have been somewhat unwieldy amalgamations of resource nationalists, free-marketers, and traditional socialists and have struggled to develop consensus on key policies. As of mid-2015, it is unclear whether a coalition can hold up to, or through, parliamentary elections slated for June 2016. The political shuffling associated with assembling each coalition has had a disruptive impact on the administrative apparatus and domestic business environment.

**Mongolian-U.S. Relations:** Mongolia calls the U.S. its third neighbor, to balance relations with China and Russia. Good Mongolian-U.S. relations have developed over our 27 year bilateral relationship, to include humanitarian and technical assistance, military- to-military relations, business development, and a host of smaller programs. Mongolia has contributed peacekeeping forces to both Iraq and Afghanistan and to UN peace-keeping operations in Sierra Leone, Kosovo, Chad, and South Sudan. In 2008, the U.S. Millennium Challenge Corporation (MCC) initiated a USD 285 million compact, which funded vocational education, health, land registration, infrastructure, and energy projects. In December 2014, the MCC Board selected Mongolia for negotiations of a second Millennium compact. Both nations are actively promoting the bi-lateral trade relationship, as emphasized by Prime Minister Saikhanbileg's June 2015 visit to the United States. In December 2014, Mongolia's parliament ratified a bilateral agreement to promote transparency in matters of investment and commerce; as of mid-2015, the two sides continued to discuss necessary steps for the so-called Transparency Agreement to enter into force. There have been multiple high-level visits between Mongolia and the United States since Mongolia's historic 1991 "decision for democracy". Most recently, Secretary of Defense Hagel visited in April of 2014, signing a joint vision

statement with his counterpart. In June 2015, the Prime Minister of Mongolia visited Washington, D.C, and met Vice President of the United States Joseph Biden and United States Trade Representative Michael Froman and in July 2015, the Foreign Minister of Mongolia met with Secretary of State Kerry. Over the past decade, we record no incidents of anti-American sentiment or politically motivated damage to American projects or installations.

**Russo-Sino-Mongolian Relations:** Relations with Russia and China are critical because Mongolia depends on both for power, petroleum, and transportation. Sour relations among these neighbors invariably affects Mongolia's business environment. When the Dalai Lama visited in spring 2003, the Chinese temporarily halted all commercial rail shipments for "technical reasons." China seeks access to Mongolia's mineral and hydrocarbon resources, and remains the leading investor and customer in these fields. The August 2014 visit of Chinese President Xi Jinping yielded commitments to assist Mongolia with financing and technical support for major projects, especially in the construction sector, as did the September 2014 visit of Russian President Vladimir Putin. The President of Mongolia, Tsakhiagiin Elbegdorj, met jointly with President Xi and President Putin in the margins of a Shanghai Cooperation Agreement meeting in Ufa, Russia in July 2015 to discuss trilateral cooperation.

## Market Challenges

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- Weak rule of law
- Corruption in the bureaucracy
- Unfamiliarity with best commercial practices in the government and private sectors
- Lack of transparency in regulatory and legislative processes
- Some abuse of inspection, permitting, and licensing regimes to protect existing state and private interests
- Insufficient infrastructure in both urban and rural areas

## Market Opportunities

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**Mining:** Over 6,000 deposits of approximately 80 minerals exist in Mongolia, among them coal, copper, uranium, rare earth oxides, iron ore, oil, tungsten, molybdenum and fluorspar. Of note are Mongolia's excellent metallurgic coal deposits. Mongolia's location next to China provides a ready market for Mongolia's mineral wealth. As with all resource sectors in Mongolia, the developing infrastructure, statutory, and regulatory environments remain works in progress.

**Construction:** The population of the Mongolian capital, Ulaanbaatar, has more than tripled in the last decade years from 450,000 to over 1.3 million. Quality commercial and residential stock remains in short supply and demand shows no signs of abating.

**Meat Processing:** Mongolia has vast herds of sheep, goats, and cattle, and hungry neighbors. Satisfying demand in Russia, China, Korea, and Japan offers an opportunity to American ranchers and meat processing and marketing technologies. However, quotas and restrictive health regulations inhibit the meat trade with Mongolia's her neighbors. Existing Mongolian processing facilities require upgrading to increase production capacity, quality, and sanitation.

- **Personal Relations Key:** Mongolians like to deal with *old friends*. Investors must establish and maintain close relationships with Mongolian counterparts and relevant government agencies. Family and school ties remain strong in Mongolia. Learn who is related to whom when establishing business connections.
- **Use of Agents:** Find a Mongolian advisor to guide through the ins and outs of local customs and business practices.
- **Structure of ownership:** The 2013 Investment Law of Mongolia does not require foreign investors to have Mongolian partners. Under the law, foreign investors are accorded national treatment and given the same protections as domestic investors with the exception of state-owned enterprises seeking to invest in mineral, banking and finance, and media and telecommunications.
- **Product Pricing:** Sensitive to price, Mongolian consumers will choose the less expensive product—unless they can be swayed by after-sales service or clear product superiority. They perceive American-branded goods as superior to others, and will more often than not pay a premium to avoid purchasing lower cost, lower quality items.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes:

<http://www.state.gov/r/pa/ei/bgn/2779.htm>; or please contact the Commercial Section at the US Embassy in Ulaanbaatar ([Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)).

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## Chapter 3: Selling U.S. Products and Services

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### Using an Agent or Distributor

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Distributors or agents who handle internal distribution and marketing represent many U.S. companies in Mongolia. The U.S. Embassy in Ulaanbaatar can help U.S. exporters find appropriate sales agents in Mongolia. An Embassy-assisted distributor search can help gauge interest in your product and begin the process of finding a suitable representative. Visiting a trade show or an International conference/forum in Mongolia is also a good occasion to review local businesses and to meet with potential partners.

### Establishing an Office

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The business registration process begins at the Invest Mongolia Agency of the Ministry of Economic Development (IMA: <http://www.investmongolia.com> ). The 2013 Investment Law of Mongolia (IL) sets a minimum level for foreign investment into Mongolia of USD 100,000 and requires the State Registration Office of Mongolia (SRO: <https://burtgel.gov.mn>) to register all foreign-invested ventures.

For joint ventures, the foreign and Mongolian companies file an application and a joint venture agreement. A foreign-owned company submits information on its activities along with the application letter. The joint venture must register the company name written in Cyrillic letters with the SRO to insure no two companies have the same name and/or share confusing similarities.

The following fees apply for IMA services that are paid to the State Registration Office:

1. Opening of branch, representative's office and unit – 1 100 000Tg (USD 603)

2. Extension of branch, representative's office and unit – 750 000Tg ( USD 411)
3. Establishing foreign invested entity – 750 000Tg (USD 411)
4. Extension of certificate – 75 000Tg (USD 42)
5. Registering change in contract and by-law of branch, representative's office and unit – 35 000Tg (USD 19)
6. New ID – 20 000Tg (USD 11)
7. Extension of ID – 10 000Tg (USD 6)
8. Lost ID – 50 000Tg (USD 28)

**Registering with General Tax Authority of Mongolia ([www.mta.mn](http://www.mta.mn))**

To become a legal entity in Mongolia, the company must receive final approval from the General Tax Authority of Mongolia (GTA). The Tax Authority registers the business entity and makes the registration public. The GTA requires a US\$10 filing fee and the following documents from investors:

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

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

District or *aimag* (province) tax offices will be informed about the registration of a foreign registered company. The foreign entity then should register with the district or *aimag* tax office within 14 days after the state registration certificate is issued. The entity needs to bring a copy of its state registration certificate along with the original certificate. If registering in a city district the representative office of the foreign invested company should be registered with the central tax office of that city, too.

**Registering with General Authority for Social Insurance ([www.ndaatgal.mn](http://www.ndaatgal.mn))**

A newly established foreign invested entity must register with the Social Insurance office of their respective district or *aimag* (province) and get a social insurance certificate. The entity needs to bring a copy of its state registration certificate along with the original certificate.

2013 has seen several U.S. franchises penetrate the Mongolian market: Coffee Bean and Tea Leaf, Cinnabon, KFC, and Round Table Pizza. Several other food franchises are in the process of opening in Mongolia. Of Mongolia's 2.9 million people, over 60% live in Mongolia's three major urban areas. Ulaanbaatar (UB) has over a million people—nearly 45% of the total. It is the key market and economic engine in Mongolia. With such a concentrated populace, investors need no far-flung network to tap the UB market.

American products enjoy a good reputation; and, generally find Mongolia an excellent fit. Mongolia is a very youthful country. Over 81% of Mongolia's 2.9 million people are under 40. Approximately 76% are under 35 years. Flexible, open to new products, services, and ideas, Mongolians particularly like American brands. Most city dwellers have radios, TVs or most likely both. Newspapers are cheap and billboards abound.

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

Mongolians also have an increasing disposable income. Although the government estimates the minimum monthly wage at 144,000 Tugriks or about USD107, official figures do not capture actual economic capacity. 2013 estimates put annual per capita GDP of USD 5,885 on a purchasing power parity basis. In addition, to formal jobs, many Mongolians earn hundreds of dollars a month through gray market activities, and foreign remittances bring in hundreds if not thousands of dollars for some Mongolian families. A best guess puts the effective number willing and able to pay for American goods and services on a regular basis somewhere between -600-800 thousand people.

The ongoing success of the first franchise entrants into the Mongolian market shows that Mongols will buy American franchise products—even given the availability of cheaper competition, albeit of demonstratively lower quality. Where the price differentials are reasonable and the qualitative difference clear, franchisers and their franchisees seem to be succeeding.

The Foreign Investment Law of Mongolia identifies franchising as a potential foreign investment category; therefore, it is entitled to the same status as any other foreign investment under current Mongolian law.

While individual firms may send employees out into the field to post bills and shove sales literature under doors or send text messages to cellular service customers advertising new products, there is no coherent system of direct marketing currently available in Mongolia. In-house experience at advertising firms is evolving and there is now some limited specialized expertise available for hire.

## Joint Ventures/Licensing

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Investors should note that the 2013 Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian joint venture partner. Businesses may be 100% foreign-owned and operated.

## Selling to the Government

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Donors have helped Mongolia bring its procurement practices in line with open and competitive bidding. Mongolia adopted a new public procurement law in 1999 making the process more transparent. Most tenders now follow World Bank procurement policies. The government's procurement code generally conforms to World Trade Organization standards. However, oversight of the process remains weak and inconsistent leading to irregularities in the process.

## Distribution and Sales Channels

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Most products enter and exit Mongolia through three key ports of entry/exit:

- Zamyn-Uud, along a spur of the Trans-Siberian Railroad and a north-south road terminating at Mongolia's south-eastern border with China
- Sukhbaatar City, along a spur of the Trans-Siberian Railroad at Mongolia's north-central border with Russia
- Tsagaan Nuur, along Mongolia's north-western border with Russia
- Yarant, along the Mongolia's south-western border with China's Xinjiang Province

Zamiin-Uud is the most important of the four, and through it passes most of Mongolia's imports and exports, as well as many key Russian commodities—petroleum products, wood, copper, etc. bound for the Chinese market.

Products enter Zamiin-Uud or Sukhbaatar by rail, truck, or car. Products leaving Mongolia by rail are usually inspected at Mongolian Customs Authority (MCA) warehouses in Ulaanbaatar before being sent south or north. Products entering Mongolia by rail are usually routed un-opened to the capital Ulaanbaatar (UB) for Customs inspections at the MCA warehouses. From UB, products are then distributed throughout the city and country. Increasingly, heavy equipment bound for Gobi mining sites clears customs in Zamyn-Uud for more direct shipment to the mine sites.

Products entering Mongolia by truck or auto are inspected at the border crossing points. In most cases, these are small traders bringing in limited quantities of food and dry goods for direct sale in rural Mongolia.

Products bound for sale in UB and in other Mongolian cities are trucked from Customs facilities to wholesale and retail outlets dispersed through the cities. Distribution of products to rural Mongolia is usually accomplished by small retailers who travel to urban centers in the Mongolian countryside by rented truck or auto. They purchase goods at

local wholesale venues and bear the expense of transport back to their own retail outlets.

Currently, distribution of perishable livestock and organic products both in and out of Mongolia is hindered by the limited availability of refrigerated shipping facilities and infrastructure bottlenecks at ports of entry and along the shipping lines.

## Selling Factors/Techniques

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- Personal relationships in business are critical. The Mongolians like to deal with *old friends*. Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and the buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.
- Family and school ties are still very strong in Mongolia. It is important to learn who is related to whom when establishing business connections.
- Initial contacts with Mongolians can be in English, but it always helps to be accompanied by an interpreter at the start of any relationship. Mongolians look for cues of serious intent by how much effort—time and material—a foreign investor puts in the early phases.
- It is a mistake to see Mongolians through the prism of their neighbors. That is, thinking that Mongolians are like the Chinese or the Russians or the Koreans, etc. While both historical and cultural ties exist between Mongolia and her neighbors, Mongolians are conscious and proud of their history and the progress of their country over the last decades. They become offended if confused with China and deeply resent being compared to other developing countries with similar commodity-dependent economies—especially those from Africa. They prefer to be compared to other former East-Bloc nations as Poland, Ukraine, the Czech Republic, etc.
- Promotional materials can be in English, but if possible, preparing a basic information sheet or packet in Mongolian is appreciated. Avoid Chinese language materials, as many Mongolians, fair or foul, associate China with poor quality products.
- Avoid letting cultural sensitivity to Mongolian norms get in the way of good judgment and commonsense. Some Mongolians tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal *would* go through if only these practices are ignored. We advise investors to politely but firmly cleave to sound business principles. Investors who do so will earn the respect of the Mongolians and may protect their investment, too.

While computers and the Internet have taken Mongolia by storm, E-Commerce has yet to blossom. Although UB consumer demand for E-services has grown along with size of the market, a not un-justified lack of faith in the security of Mongolian ISPs and public networks hobbles wide scale adoption outside of the banking sector applications. However, these assumptions remain perceptions rather than proven realities, because no formal market survey of the demand and ability of the consumers to pay for E-Services has been conducted.

Advertising is an effective way to create product awareness among potential consumers in Mongolia. Newspapers and magazines, radio, cell phones, television and billboard displays, and sports and entertainment sponsorships are mass advertising venues. Almost every household in Ulaanbaatar (over 50% of Mongolia's consumer market) has both TV and radio. In addition, most of Mongolians own or have access to cellular phones and service has become available in almost every part of the country, allowing advertisement by phone to reach all but the most remote corners of the nation. There are many advertising companies in Mongolia. The Mongolian Chamber of Commerce and Industry holds annual spring and autumn trade shows with participants from around Mongolia, Russia, China and Korea.

*Two caveats about advertising:*

1. In the US companies can deduct the cost of advertising as a legitimate business expense. In Mongolia deduction of advertising costs is limited to 5% of the gross profit—no matter how much a company spends on advertising.
2. The Law on Advertising of Mongolia restricts the sorts of information that may be presented. For example, advertisers must not *tarnish* the honor of Mongolia, promote alcohol or tobacco products, or directly compare products in their ads.

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

### **Major newspapers and business magazines:**

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

<http://www.mongolchamber.mn/en/index.php/publications/business-times-newspaper>

*Brand*—a monthly business magazine

*Mongol Messenger* - weekly English language paper published by the Mongolian news agency [www.mongolmessenger.mn](http://www.mongolmessenger.mn)

*MONTSAME* (the Mongolian national news agency) [www.montsame.mn](http://www.montsame.mn)

*Mongolyn Medee* - (News of Mongolia) Genco

*Odriin Sonin* - (Daily News) daily newspaper [www.dailynews.mn](http://www.dailynews.mn)

*UB Post* - weekly English-language newspaper published by Mongol News Group  
[ubpost.mongolnews.mn](http://ubpost.mongolnews.mn)

*Unoodor* - (Today) independent daily newspaper published by Mongol News Group  
[www.mongolnews.mn](http://www.mongolnews.mn)

*Zuuny Medee* - (Century News) daily newspaper [www.zuuniimedee.mn](http://www.zuuniimedee.mn)

*Ardyn Erkh* - Mongol Mass Media group

*Undesnii Shuudan* - director B.Ganbold

*Uls turiin toim*  
*Ogloonii sonin-*  
*Unen -*  
*Ardchilal*

**Television stations include:**

*MNB* - State-owned broadcaster

*Channel 25*

*Mongol TV*

*RGB*

*UBS* - (Ulaanbaatar Broadcasting System)

*TV-5*

*TV-9*

*TM* – private television station

*TV8* - private television station

*NTV*

*C1*

*Ekh oron*

*SBNEagle TV ETV*

*MNC*

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

## **Sales Service/Customer Support**

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Mongolian custom, law, and regulation are evolving in the area of sales service and customer support. Mongolian customers and businesses continue to explore the sets of services and practices that constitute an even basic support package for sales and customer support. In addition, Mongolians have not fully embraced—but no longer reject out of hand—the concept that after-sales service and support may justify upfront higher upfront costs they might incur by buying more expensive US products rather than cheaper Chinese or Russian-made ones.

Education about the value of after-sales service and experience with failed equipment has turned the corner for some American product lines in the heavy equipment sector. Currently, firms selling electronic equipment, autos, and mining equipment and tools pursue a variety of options. Generally, models based on best sales service and customer support practices used by well-known Western and Japanese firms have found favor among many Mongolians. Companies that follow such practices are perceived of as better and more reliable.

## **Protecting Your Intellectual Property**

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Mongolia supports intellectual property rights in general and has protected American rights. It has joined the World Intellectual Property Organization (WIPO); signed and ratified most treaties and conventions, including the WTO TRIPS agreement. The WIPO Internet treaties have been signed but remain un-ratified by the State Great Hural, Mongolia's Parliament. However, even if a convention is un-ratified, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM), make a good faith effort to honor these agreements. For more information on IPR services provided by the IPOM go to <http://www.ipom.mn/>.

### **Protecting Your Intellectual Property in Mongolia:**

Several general principles are important for effective management of intellectual property ("IP") rights in Mongolia. First, it is important to have an overall strategy to protect your IP. Second, IP may be protected differently in Mongolia than in the United States. Third, rights must be registered and enforced in Mongolia, under local laws. For example, your U.S. trademark and patent registrations will not protect you in Mongolia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Granting patents registering are generally is based on a first-to-file [or first-to-invent, depending on the country], first-in-right basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], first-in-right basis, so you should consider how to obtain patent and trademark protection before introducing your products or services to the Mongolia market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot enforce rights for private individuals in Mongolia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Mongolia law. The U.S. Commercial Service can provide a list of local lawyers upon request [If this list is available on embassy website, hyperlink here].

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Mongolia require constant attention. Work with legal counsel familiar with Mongolia laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Mongolia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Department of Commerce has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Mongolia at: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov).

## Due Diligence

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The U.S. Embassy in Ulaanbaatar can assist by providing such verifiable non-confidential and proprietary information on both reputations and actions of firms and individuals active in Mongolia as circumstances allow.

## Local Professional Services

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

Attorneys: Several US firms or US-Mongolian firms operate in Mongolia, in addition to competent Mongolian firms. You can find a complete list on the US Embassy website: <http://mongolia.usembassy.gov>, or contact the US Embassy at [richmondmd@state.gov](mailto:richmondmd@state.gov).

## Web Resources

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### Mongolian Resources

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov.mn>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: [www.parliament.mn](http://www.parliament.mn)

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- [\(Mining\)](#)
- [\(Construction\)](#)
- [\(Agricultural Sector\)](#)

### Mining

#### Overview

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	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	10,412	9,476	NA	NA
Total Local Production	6,143	6,437	NA	NA
Total Exports	4,269	3,039	NA	NA
Total Imports	6,358	2,756	NA	NA
Imports from the U.S.	279.5	167.5	NA	NA
Exchange Rate: 1 USD	1700	1900	NA	NA

(In Millions USD)

#### Data Sources:

Total Local Production: National Statistics Office of Mongolia (<http://en.nso.mn/>)

Total Exports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

### Mining Sector Overview

Plentiful mineral endowments, proximity to strong markets in Asia, and general political stability make investing in and selling U.S. mining equipment and services to Mongolia's mining sector potentially promising activities. In 2014, the Ministry of Mining of Mongolia reported that the mining sector accounted for the 20 percent of the GDP, 80-90 of exports, over 20 percent of the national budget revenue, and 70-80 percent of the country's foreign direct investment. However, economic slowdowns among Mongolia's key regional export partners, particularly China, coupled with government policy missteps, have impacted sector growth. This has limited, but not halted, the sector's medium to long-term potential as a market for the export of U.S. goods and services in the mining sector. (For information on Mongolian investment policy issues, see Chapter 6 on Mongolia's investment climate.)

#### *Sub-Sector Projects*

Two particular projects represent the promise of Mongolia's mining sector: The Oyu Tolgoi copper-gold project (OT) and the prospective Tavan Tolgoi coking coal project (TT). These marquee projects are likely to remain central to Mongolia's mineral sector. The OT mine alone contains over 35 million tons of copper and 1,275 tons of gold and will likely drive Mongolia's GDP growth well into the future. Production at OT started in 2013 and was scheduled to reach full capacity by 2017-18. Disputes between OT's project owners, Rio Tinto and the Government of Mongolia, have pushed this schedule back to 2022; however, they reached an agreement in spring 2015 that should see disputes settled and development move forward. Investors consider this settlement a positive signal that Mongolia is open for business. (For information on the OT settlement: <http://www.turquoisehill.com/s/Home.asp>.) At full capacity, the OT mine is expected to supply 450,000 tons of copper a year, close to 3% of world output.<sup>1</sup> Although its development is at a more preliminary stage than the OT project, the TT coal basin holds estimated reserves of over 6 billion tons of high quality thermal and coking coals. This equals approximately 100 years of production capacity. Although the Government of Mongolia has, in past years, sought international bids on Tavan Tolgoi's development, as of mid-2015, the shape and scale of an international development were still under active debate in Mongolia's parliament.

In addition to these projects, Mongolia continues to explore its significant potential in other areas, including but not limited to gold, molybdenum, fluorspar, zinc, tungsten, rare earths, iron, and uranium. Mongolia's central bank reported that gold production grew by nearly 107% in 2014, with the first five months of 2015 seeing a 114% increase over the same period's production in 2014. Mongolian officials attribute these increases to a reduction in royalties for gold sold to the central bank of Mongolia. Mongolia also ranks fifth among global fluorspar producers, producing both acid and metallurgical grades, with 4% of the world's total production. Mongolia's most common and potentially commercial rare earths are tantalum, niobium, yttrium, thorium, and zircon.

These opportunities have already positively impacted U.S. exporters of mining goods and services. Overall exports from the U.S. to Mongolia have expanded from USD 43 million in 2009 to USD 650 million in 2012, or 15 times, with at least a fifth of these exports directly linked to the OT mining project. Even during recent periods of slower economic growth seen in 2013 and 2014, export volumes have hovered around USD 170 million or approximately 4 times their 2009 levels. The hope is that as other mines are developed the ongoing successful performance of U.S. exports at OT and other high profile Mongolian mining projects will lead to an increase in U.S. goods and services throughout the entire Mongolian mining sector. Exporters willing to consider adding value through local employment and investment will find a welcoming environment.

## Resources

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### **Mongolian Resources**

Mineral Resources Authority of Mongolia: <http://www.mram.mn>

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<sup>1</sup> Asel Isakova, Alexander Plekhanov and Jeromin Zettelmeyer. "Managing Mongolia's resource boom." *EBRD*. Working Paper 138. January 2012.

[Petroleum Authority of Mongolia: www.pam.gov.mn](http://www.pam.gov.mn)

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov.mn>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

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American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

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U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

## Construction Sector

### Overview

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	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	10,412	9,476	NA	NA
Total Local Production	6,143	6,437	NA	NA
Total Exports	4,269	3,039	NA	NA
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Exchange Rate: 1 USD	1700	1900	NA	NA

(In Millions USD)

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Total Exports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Total Imports: Bank of Mongolia (<http://www.mongolbank.mn/>)

Imports from U.S.: U.S. Census Bureau (<http://www.census.gov/foreign-trade/balance/c5740.html#2011>)

### Construction Sector Overview

Mongolia's economy grew by 7.8% in 2014, and the Ministry of Construction and Urban Development reported that the construction sector generated 30% percent that growth. The commercial and residential construction sectors accounted 15% of GDP in 2014, or nearly USD \$2 billion; and 60 % of this \$2 billion came from foreign investors. (Source: NSO). 80,000 people work in the construction sector, and the industry generates 130,000 jobs in related fields. (Source: Mongolian economy magazine June 2015, No. 14).

Since 2012, commercial and residential building stock has increased due to government backing, spurred by expectations of a mining-led economic boom. In 2012, the government initiated several programs to support housing and construction. In mid-June 2013, the Bank of Mongolia launched a USD \$550 million mortgage lending program, and a USD \$200 million housing supply support program to construction companies and real estate developers. The government used proceeds from sovereign bond issuances to underwrite construction related businesses.

Mongolia produces about 60% of construction materials used domestically and imports the remaining 40%, and seeks to produce as much of these materials domestically as possible; and so, is establishing programs that support localization of production in Mongolia. To this end, the Ministry of Construction has stated that the government will waive import and value-added taxes on construction equipment and related technologies that can be used to create a Mongolia-based construction sector.

The largest construction market is in the capital city of Ulaanbaatar: Its 1.4 million people constitute 46 percent of Mongolia's 3 million citizens. As of 2014, 58 percent of

the total population of Ulaanbaatar lived in apartment buildings. Housing the remaining 40 percent of the population, many of whom live in the less developed peri-urban districts, will require not only new residential stock but an upgrading of related infrastructure, including roads, water facilities, power plants, etc.

The cost of building new property in Mongolia is \$750 USD per sq. meter. The average price of the new apartment in the capital city's central area is \$950-\$1,150.

### *Development Plans*

In response to shortfalls of housing stock and related infrastructure, the government emphasizes building new residential apartments, and enhancing necessary infrastructure to address the shortage of apartments. This effort also includes building outside of the current metropolitan area to encourage out-migration and ease pressure on the capital's infrastructure.

Projects include:

- *Housing for 100,000 Households:* A program that plans 75,000 units for the capital and 25,000 for the Mongolian countryside (Apartments for at least 1,000 households per province in the countryside offering 7% mortgages); The Ulaanbaatar city government's Ger Area Land Re-adjustment plan, which is reforming ger (felt tent residences) areas around city. The mayor's office is also receiving technical support and possible financing from the Asian Development Bank (ADB) for affordable housing. Almost 3,000 apartments were built in 2014 under this program.
- *The Infrastructure project:* Part of the Government Program for 2012-2016, which aims to accelerate new development projects, build infrastructure and engineer public utilities, carry out technological upgrade in water supply and wastewater treatment. Funding comes from Development Bank of Mongolia: In 2013 and 2014, USD \$50 million was provided, and further financing for 2015-2016 of USD \$15.6 million has been approved. The government expects additional contributions from international donors such the ADB, Japan, China, and France.
- A new urban area is envisioned around Ulaanbaatar's new airport. This facility is 30 miles from the capital and is set to become operational in early 2017.

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### **Mongolian Resources**

Ministry of Construction and Urban Development: <http://www.mcupd.gov.mn/eng>

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov.mn>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

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American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

## Agricultural Sectors

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	10,412	9,476	NA	NA
Total Local Production	6,143	6,437	NA	NA
Total Exports	4,269	3,039	NA	NA
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### Agricultural Sector Overview

Agriculture remains a mainstay of Mongolia's economy both as a source of national revenue and employment. In 2014, the National Statistics Office of Mongolia reported that the sector generated 14 percent of Mongolia's GDP and 14 percent of Mongolia's budget revenues. Agriculture and herding are also sources of direct and indirect employment for more than half of the population.

While central to Mongolia's economy, it is only recently that investors in the agriculture have moved to improve the efficiency and profitability of the sector. Initial privatizations of state farms and livestock cooperatives in the early 1990s, the deregulation of prices of major agricultural products, and the liberalization of agricultural trade hit the state-operated, state-owned sector hard. Early privatization was ill-timed, ill-conceived, and ill-executed. From 1991 to 1995, production of some commodities halted or declined to near subsistence levels. By 1996, the sector rebounded, and by 2002, most of the state farms were fully privatized under single (individual or company) ownership or limited partnerships of two or three owners.

The Government recognizes that sustainability in agriculture and rural areas depends largely on modernizing the livestock sector and improving land management. In 2002 the government passed legislation allowing long-term land leasing, strengthening sector institutions, privatizing service delivery wherever possible, and continuing with the privatization process. The government has consistently declined to privatize farm and grazing land, but it does allow Mongolian citizens and foreigners to acquire long-term use rights to these lands, although Mongolian citizens can be given preference over foreign investors. The Ministry of Food and Agriculture has told us that its key goals are to increase local production for export and to reduce Mongolia's dependence on imported food products, both processed and unprocessed. To do this, the government

seeks ways to better brand Mongolian food products, expand domestic production and processing of agricultural products, and improve technological capacity related to quality control. These Mongolian goals offer opportunities to U.S. exporters with goods and services that support agricultural and livestock processing value-chains.

*Food and Product Processing:*

Although most of Mongolia's provinces have established private food plants and shops, there is a tendency to import food products from abroad, because domestic enterprises produce food mostly below international standards. The Bank of Mongolia reports that Mongolia spends around USD \$550 million on food imports annually. This reliance on higher quality through imports is driven, in part, by the low technological base in the food production industry. For this reason the Mongolian agricultural sector engages in very little domestic processing of food and animal products. For example, by 2012 only 7 percent of domestic meat and 9 percent of domestic dairy products were processed in Mongolia.<sup>2</sup> Ministry of Food and Agricultural reports show that domestic meat production has remained generally flat from 2008 through 2013, and exports have actually declined during the period.

**Meat production-processing**

<i>Item</i>	<i>Unit</i>	2008	2009	2010	2011	2012	2013	2014
<i>Meat from agriculture</i>	Thous.t	221.3	264.4	204.4	208.0	220.4	238.2	NA
<i>Meat and meat products produced at factories</i>	Thous.t	12.0	21.4	14.7	15.6	16.4	22.1	NA
<i>Exported meat and meat products</i>	Thous.t	10.3	17.9	23.8	10.6	3.7	3.0	NA

(In Thousands Mongolian Tugrik)

Challenges with upgrading existing production technology continues to slow development of food production, as well as the export of such higher value-added agricultural products as leather or cashmere. Both the public and private sectors want to improve livestock raising processes and the operations at food processing plants, but lack of capacity is a serious constraint and represents a lost export opportunity.

**Resources**

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**Mongolian Resources**

Ministry of Food and Agriculture of Mongolia: <http://www.mofa.gov.mn/new/#>

Invest Mongolia Agency: <http://www.investmongolia.com/>

<sup>2</sup> <http://ubpost.mongolnews.mn/?p=3235>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

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## Chapter 5: Trade Regulations, Customs and Standards

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- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
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### Import Tariffs

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Most imported goods are subject to 5% ad valorem Customs duty while some others are subject to seasonal duties. Certain goods for export are subject to specific Customs duties. Any person (physical or legal) engaged in foreign trade is liable to pay Customs duties as well as some other taxes and fees upon importation or exportation.

The following goods are subject to 15% customs duty between August 1 and April 1 every year. For the remaining period of the year, 5% customs duty applies.

- Potato
- Onion
- Cabbage
- Yellow carrot
- Yellow turnip
- Flour (July 1 – April 1)

For more information on import and export tariffs and non-tariff regulations:

<http://ecustoms.mn/>

### Trade Barriers

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Mongolia generally offers exporters and investors a fairly free trade regime lacking quotas, onerous licensing requirements or local sourcing. However, the lack of transparency and consistency in how regulations are both crafted and applied remain obstacles to trading with and doing business in Mongolia.

**Customs clearance for export and import consists of the following steps:**

1. Declaring goods
2. Inspection of customs documents
3. Inspection of the goods and means of transport
4. Levying customs duties and other taxes and payments thereto
5. Granting permission and releasing goods to cross customs border.

For more information see: <http://ecustoms.mn/>

**Export/Import of Strategic food:**

According to the Interim Regulation on Issuing export/import license for strategic food, approved by Government resolution No 77 dated March 02, 2013, licensing of export and import of strategic food as defined in Article 3.1.6 of the Law on Food (a) liquid and powder milk, b) meat of cattle, horse, camel, goat and sheep processed other than heating, c) wheat flour, d) potable water shall be based on open tender for the given year. The National Council on Food Security shall define the type and amount of strategic food to be exported/imported based on proposals by the ministry in charge. The license is issued for each type of food and valid for 6 months.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available:

<http://developer.trade.gov/consolidated-screening-list.html>.

Mongolia joined the Istanbul Convention on Temporary admission of goods in 2002. The Mongolian National Chamber of Commerce and Industry is assigned as an organization in charge of issuing ATA carnet and guarantee. Six annexes are being implemented (A, B1, B2, B3, B5 and C) and 11 customs organizations of Mongolia were approved for border crossing rights. These are:

1. Customs branch at Altanbulag, Selenge province
2. Customs office at Zamyn-Uud, Dornogobi province
3. Customs office of Ulaanbaatar city
4. Customs bureau of Darkhan-Uul province
5. Customs bureau of Orkhon province
6. Customs bureau at Khankh, Khuvsgul province

7. Customs branch at Tsagaannuur, Bayan-Ulgii province
8. Customs branch at Ereentsav, Dornod province
9. Customs branch at Bulgan, Khovd province
10. Customs branch at Borshoo, Uvs province
11. Customs office at Buyant-Ukhaa

More information available: <http://ecustoms.mn/>

Contact the Customs Control & Clearance Department of the General Customs Office at +976 11 353541.

### **Labeling and Marking Requirements**

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By the amendments to the Law on Food of Mongolia (effective March 01, 2013), labels of imported food must be written in Mongolian, Russian or English languages. Only a properly registered legal entity of Mongolia is allowed to import food (not individuals). An Exporter needs to conclude an agreement with a Mongolian importer that introduces quality management and standards for agricultural, food and health.

Contact Export/Import Monitoring Department, General Agency of Specialized Inspection at: +976 51 264147.

### **Prohibited and Restricted Imports**

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Prohibited items include drug/narcotics, devices and equipment for use and manufacturing of them and narcotic plants, all types of spirit, scrap metal, (ferrous and non-ferrous). Narcotics and narcotic plant for medical purposes are allowed only by the permission of the State central organization in charge of health.

Restricted items: highly toxic chemicals, organs and donor blood for the purpose of preventing and treatment under required medical control, guns, rifles, weapons, military equipment and devices and their spare parts, or explosives.

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

- Uranium and uranium concentrates;
- Poisonous chemicals
- Organs and blood products for the purpose of preventing and treatment under required medical control
- Firearms and ammunition, spare parts, outfit and explosives
- Artifacts and cultural property, including historical, cultural, fossils, archeological and similar items
- Breeding animals,
- Animal and animal originated raw materials, experimental samples and probes
- Animal embryos, microorganism culture

For more information <http://ecustoms.mn/>

## Customs Regulations and Contact Information

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Customs General Administration: <http://www.ecustoms.mn/>

Contact: Director International Cooperation Division

Tel: 976-51-266782

E-mail: [info@ecustoms.mn](mailto:info@ecustoms.mn)

## Standards

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## Overview

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The National standards body of Mongolia is the Mongolian Agency for Standardization and Metrology (MASM) <http://masm.gov.mn/> . Its Chairman is appointed by the Government of Mongolia and reports to the Deputy Prime Minister's Office. The highest decision-making organ of MASM is its National Council, approved by the Cabinet with 19 members - representatives of the Ministries, agencies, nongovernmental organizations, scientific academia and industries.

The aim of MASM in standardization is to contribute to the development of the Mongolian society, economy, industry and trade by establishing standards on the basis of mutual understanding and voluntary agreement between parties in governmental authorities, industry and business, with regard to consumers' rights, and in continuously developing standardization activities aligned to the market system.

The preparation, application and promotion of national standards are set out in the Mongolian law on "Standardization and Conformity Assessment", adopted in 2003 but which is now being amended.

MASM approves and publishes all Mongolian standards, represents Mongolia in international standardization within ISO, and is the Mongolian WTO/TBT Enquiry point.

**The National Council of Standardization** approves and adopts the standards used within the territory of the country after being reviewed and accepted by the standardization Technical Committee (TC). There are 49 TCs and sub-committees at the MASM. Department of Standardization and Technical Regulation is in charge of regulating TC activities and to define, resolve and develop national standards. There are about 6210 national standards, 42% of which are in compliance with international or regional standards. Within the framework of the Agreement signed with the European Committee for Standardization (CEN), Mongolia aims to raise that to 90%. The list of national standards is available at:  
[http://www.estandard.gov.mn/index.php?module=menu&cmd=content&menu\\_id=132](http://www.estandard.gov.mn/index.php?module=menu&cmd=content&menu_id=132)

*Technical regulations:*

Technical regulations shall be exercised in order to ensure the safety of products, which may harm the public interest, human health, the environment or security of nations, and to prevent from supply of deceptive products into the market. A regulation is approved by the Government Cabinet. The central body in charge of standards issues, MASM, shall review and draw conclusions on draft technical regulations. The Government Cabinet member in charge of trade issues, the Ministry of Economic Development, shall exercise the power to accept domestically the technical regulations, proposed by the member countries of the World Trade Organization (WTO) to apply in international trade (in accordance to the Convention on Technical Barriers to Trade). The central body in charge of standard issues, MASM, shall inform other members of the WTO no less than three months in advance before the adoption of the technical regulations, proposed by the member countries of the WTO.

***The NIST Notify U.S. Service:***

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:  
<http://www.nist.gov/notifyus/>

The Department of Product and System Conformity conducts activities in following fields:

- Imported product conformity
- Exported product conformity
- Services conformity
- Domestic product conformity
- System conformity
- Approval of “MNS” mark for products and services

- Conformity for “Eco” mark

<http://www.masm.gov.mn/index.php?module=divisions&cmd=conformity>

### **Product Certification**

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The national testing organization for *proficiency testing* is the Laboratory of Reference Materials at MASM. The laboratory is in charge of the laboratory requirements for proficiency of testing and calibration laboratories usually on food products, water and minerals. For more details call 976 7018 5279.

<http://www.masm.gov.mn/index.php?module=divisions&cmd=conformity>

### **Accreditation**

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The Department of Accreditation of MASM has authority for accreditation of the following institutions:

- Accreditation for testing laboratory
- Accreditation for organizations of technical monitoring and confirmation
- Accreditation for human health and veterinary laboratory
- Accreditation for metrology laboratory

For more information contact the Department of Accreditation, call MASM at 976-51-263907.

<http://www.masm.gov.mn/index.php?module=divisions&cmd=accreditation>

### **Publication of Technical Regulations**

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Publication of technical regulations is a responsibility of MASM.

### **Labeling and Marking**

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TC on Labeling and Marking was established at the MASM. For more information contact Standardization & Technical Regulation Department at 976-11-455284.

### **Contacts**

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- Foreign Registration and Regulation Department:  
<http://www.investmongolia.com/>
- Ministry of Industry and Agriculture: <http://mofa.gov.mn/>
- Mongolian National Chamber of Commerce and Industry:  
<http://www.mongolchamber.mn/en/>

- National Statistical Office: <http://www.nso.mn/contacts.php>
- Mongolian National Center for Standardization and Metrology:  
<http://masm.gov.mn/index.php>
- General Agency for Specialized Inspection: <http://inspection.gov.mn/>

## Trade Agreements

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- Mongolia has both signed and ratified most WTO treaties. For more information go to
  - <http://www.wto.org/>
- Mongolia has signed and ratified bilateral investment treaties with the following countries: UNCTD:  
[http://www.unctad.org/sections/dite\\_pcbb/docs/bits\\_mongolia.pdf](http://www.unctad.org/sections/dite_pcbb/docs/bits_mongolia.pdf)

<i>Reporter</i>	<i>Partner</i>	<i>Date of Signature</i>	<i>Entry in to force</i>
<b>Mongolia</b>	Austria	19-May-01	1-May-02
	Belarus	28-May-01	1-Dec-01
	Belgium/Luxembourg	3-Mar-92	15-Apr-04
	Bulgaria	6-Jun-00	-----
	China	25-Aug-91	1-Nov-93
	Croatia	8-Aug-06	-----
	Cuba	26-March-99	-----
	Czech Republic	13-Feb-98	5-Jul-99
	Denmark	13-Mar-95	2-Apr-96
	Egypt	27-Apr-04	25-Jan-05
	Finland	15-May-07	-----
	France	8-Nov-91	22-Dec-93
	Germany	26-Jun-91	23-Jun-96
	Hungary	13-Sep-94	29-Aug-95
	India	3-Jan-01	29-Apr-02
	Indonesia	4-Mar-97	13-Apr-99
	Israel	25-Nov-03	2-Sep-04
	Italy	15-Jan-93	1-Sep-95
	Japan	15-Feb-01	24-Mar-02
	Kazakhstan	2-Dec-94	3-Mar-95
	DPR of Korea	10-Nov-03	-----
	Republic of Korea	28-Mar-91	30-Apr-91
	Kuwait	15-Mar-98	1-May-00
	Kyrgyzstan	5-Dec-99	-----
	Lao People's DR	3-Mar-94	29-Dec-94
	Lithuania	27-Jun-03	3-May-04
	Malaysia	27-Jul-95	14-Jan-96
	Netherlands	9-Mar-95	1-Jun-96
	Philippines	1-Sep-00	1-Nov-01
	Poland	8-Nov-95	26-Mar-96

	Qatar	29-Nov-07	-----
	Romania	6-Nov-95	15-Aug-96
	Russian Federation	29-Nov-95	-----
	Singapore	24-Jul-95	14-Jan-96
	Sweden	20-Oct-03	1-Jun-04
	Switzerland	29-Jan-97	9-Sep-99
	Tajikistan	20-Mar-09	16-Sep-09
	Turkey	16-Mar-98	22-May-00
	Ukraine	5-Nov-92	5-Nov-92
	UAE	21-Feb-01	-----
	United Kingdom	4-Oct-91	4-Oct-91
	United States	6-Oct-94	4-Jan-97
	Vietnam	17-Apr-00	13-Dec-01

The text of the U.S.-Mongolia Bilateral Investment Treaty can be found at <http://www.state.gov/e/eb/afd/43303.htm>.

## Web Resources

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### **Mongolian Resources**

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov.mn>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: [www.parliament.mn](http://www.parliament.mn)

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

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## Chapter 6: Investment Climate

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***DISCLAIMER: The Department of State provides the information contained in the Investment Climate Statements solely for our readers' information. Every effort has been made to provide accurate and complete information. However, neither the U.S. Government nor the Department of State guarantees or assumes any legal liability for the accuracy, completeness, or usefulness of any information disclosed in the Investment Climate Statements.***

Mongolia is a landlocked country located in North-East Asia. Foreign Direct Investment (FDI) into Mongolia has trended downward since its 2011 peak of \$4.7 billion. Overall, FDI into Mongolia fell by 85 percent from 2011 through the first quarter of 2015, with \$644 million of FDI in 2014. Some 80 percent of FDI into Mongolia annually targets the mining sector and falling global coal and copper prices have dampened investor interest. Mongolia's elected leaders readily accept, however, that government missteps (confiscating selected mining licenses, levying a mining-specific windfall profits tax, assuming veto rights over mining company business decisions, etc.) collectively amounted to a far greater disincentive to investment; these leaders say they recognize the need to correct course. Parliament's ousting of the Democratic Party-led coalition Government in November 2014 clearly reflected a lack of confidence in the government's economic policies. In December 2014, new Prime Minister Saikhanbileg led an all-party unity government into office vowing to focus its efforts virtually exclusively on Mongolia's battered economy, to make restoration of FDI the center of

those efforts, and to put the launching at long last of two FDI-fueled mining mega-projects – Oyu Tolgoi (copper/gold) and Tavan Tolgoi (coal) – at the epicenter of efforts. The new PM has so far received high grades from the Mongolian public for sincerity and determination but low grades for results. A sign that the PM and his government mean to turn this situation around is the May 18, 2015, signing of the Oyu Tolgoi Underground Mine Development and Financing Plan (Plan) by Rio Tinto and the representatives of the GOM. This plan lays clear steps, with benchmarks, that will allow the parties to move the long-delayed, marquee project forward. The PM's robust and public defense of the Plan before Parliament on May 22 encouraged investors' belief that GOM is now committed to fundamentally changing its attitude toward FDI: That "Mongolia is Open for Business," as the government press releases have stated in the aftermath of the announcement of the Plan. Investors will judge the GOM's resolve to live up to the obligations of its "Open for Business" claims by how it treats investments beyond OT.

As most Mongolian eyes focus on Parliament, international investors have an additional and serious concern – the evident willingness of Mongolian state prosecutors and other authorities to unilaterally impose "exit bans" on foreign business executives whose companies become involved in business-related disputes with the government or individual Mongolian citizens. The 2015 conviction and imprisonment of three mining executives (one of them a U.S. citizen) suggested to investors that Mongolian courts do not fully observe principles of due process, and that foreign investors risk being coerced into settling legal disputes on disadvantageous terms. In 2014, investors told us that those willing to realistically accept the challenges of Mongolia's commodity-driven economy and rough and tumble political and judicial processes might find profitable medium- to long-term investment opportunities. Mongolia, after all, has some of the world's largest untapped mineral reserves. For U.S. investors, mining and mining-related services represent the most important and potentially remunerative sectors for long-term investment in Mongolia. Other promising sectors include infrastructure, transportation, energy, construction, healthcare, agriculture, tourism, and environmental products and services. But investor concerns about weak rule of law in Mongolia require us to heavily caveat even last year's qualified endorsement.

## **Openness to, and Restrictions upon, Foreign Investment**

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### **Attitude toward FDI**

Foreign Direct Investment (FDI) in Mongolia has declined by 85 percent since 2012. Most key elected leaders in Mongolia – including President Ts. Elbegdorj (elected in 2008 and re-elected in 2013), new Prime Minister Saikhanbileg (named in December of 2014) as well as immediate past Prime Minister N. Altankhuyag (in office June 2012 until December 2014), and Parliament Speaker Z Enkhbold (in office June 2012 to present) – have consistently cited Government of Mongolia (GOM) missteps and declining global commodity prices as responsible for the dramatic decline in FDI. In relation to the latter cause, senior officials consistently and publicly state their support for FDI, pledging to correct policies that have negatively impacted FDI. These commitments include adopting more investor-friendly investment and natural resource-related legislation; confirming that the GOM fully intends to keep such foreign investment commitments as the 2009 Oyu Tolgoi Investment Agreement (IA); and most recently, promising to honor international arbitration judgments. One possible sign that GOM stands by these commitments is the May 18 signing of the Oyu Tolgoi Underground Mine Development and Financing Plan (hereafter the Plan) by Rio Tinto and the representatives of the

GOM. (For a copy of the Plan: [http://www.turquoisehill.com/i/pdf/2015-05-18\\_OTUMDAFP.pdf](http://www.turquoisehill.com/i/pdf/2015-05-18_OTUMDAFP.pdf).) The investor community has explicitly stated that the Plan's clear steps should resolve the lingering, economically crippling dispute with the Rio Tinto Group over the interpretation of the controlling IA as regards development of underground Phase 2 of the Oyu Tolgoi (OT) copper-gold mega mine; and so, demonstrate GOM support for the transparent rule of law, sanctity of contracts, and free market principles, at least for the OT megaproject. However, investors, while praising the Plan and its implications for investment, continue to question if support for FDI at OT will translate into similar commitments for the broader investment climate not covered under the OT IA and the Plan. Other problems, such as the perceived abuse of exit bans, remain unresolved. Innumerable commentators allege that the several official Mongolian entities empowered to level exit bans against individual investors and company executives often do so as a means of coercing foreigners to settle business disputes with the GOM or Mongolian citizens on disadvantageous terms and thereby have made investing and doing business in Mongolia much riskier. Embassy officials have cited exit bans and legal cases as having "significant, detrimental impacts on foreign direct investment."

### **Other Investment Policy Reviews**

UNCTAD Mongolia IPR:

<http://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=758>.

WTO Mongolia IPR in the context of a Trade Policy Review:

[http://www.wto.org/english/tratop\\_e/tpr\\_e/tp245\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp245_e.htm).

OECD Mongolia IPRs: While OECD has not conducted a full-blown IPR of Mongolia, it has executed numerous economic studies related to investment and development in Mongolia available at <http://www.oecd.org/countries/mongolia/>.

### **Laws/Regulations of Foreign Direct Investment**

#### ***The Investment Law of Mongolia***

In October 2013, Parliament passed the Investment Law of Mongolia (IL). Entering into effect on November 1, the IL replaced the controversial 2012 Strategic Entities Foreign Investment Law (SEFIL), which had given the GOM wide discretion in restricting and monitoring foreign investments in sectors and geographic regions the GOM chose to unilaterally pronounce "strategic" even years after investments had been made. Overall, the IL purports to set down legal rights and obligations of investors in Mongolia, stabilizes the tax environment, establishes the powers and responsibilities of the agency that regulates investment, and provides incentives to encourage investment. Foreign investors are given the same protections as domestic investors.

#### ***Domestic vs. Foreign: It's Where You Are, Not Who You Are***

Unlike SEFIL, what distinguishes a foreign from a domestic investor in the IL is not nationality but where the investor resides. A foreigner who resides permanently in Mongolia may be considered a domestic investor for purposes of the law while a Mongolian who lives abroad permanently may be considered a foreign investor. Investment may be made in any sector not prohibited or restricted by law. (Note: For

example, neither foreign nor domestic investors may invest in casinos, horse racing, or other gaming activities, all of which are specifically restricted by law.) Accordingly, investments by private individuals or firms are no longer subject to special approval other than registration with the State Registration Office (SRO), which simplifies the procedures for doing business, unless sector-specific legislation mandates additional requirements. IL offers U.S. investor residing in Mongolia and who opts to register his or her company in Mongolia the opportunity to receive national treatment. U.S. investors, who choose not to register their companies in Mongolia, may also qualify for national treatment under the terms of the U.S.-Mongolia Bilateral Investment Treaty or BIT.

#### *Attempt to Create Greater Tax Certainty*

A central feature of IL promoted by the GOM is the tax incentives in the form of tax stabilization certificates. New projects and some older projects that meet requirements may qualify for favorable tax treatment for periods up to 27 years. Affected taxes may include corporate income tax, customs duties, value-added tax, and mineral resource royalties. The determining criteria for participation in the incentive program tax stabilization is the amount of investment, the sector involved, and the geographical area involved. Some legal commentators predict that limitations on the transferability of the new certificates will complicate and eventually stifle investment.

#### *The Invest Mongolia Agency*

IL created a new investment promotion entity, the Invest Mongolia Agency (IMA), which reports to the Office of the Prime Minister, to replace the Foreign Investment Regulation and Registration Department (FIRRD). IMA is responsible for issuing the tax stabilization certificates. To contact IMA go to [www.investmongolia.com](http://www.investmongolia.com). The State Registration Office (SRO) is responsible for registering companies and investors: <http://www.burtgel.mn/>.

#### **Industrial Promotion**

December 2014 saw the creation of a new government and with it, a new Ministry of Industry (MOI), carved out from the former Ministry of Industry and Food and Agriculture. Parliament has charged MOI with creating and implementing an industrial policy for Mongolia aimed at promoting value-added production in non-agricultural sectors, including but not limited to minerals and metals processing, construction materials production, plastic and chemical production, and hydrocarbon refining. The newly minted Ministry of Food and Agriculture is responsible for value-added production in the food production and livestock sectors.

MOI officials describe the ministry's overall goal as that of import substitution, to be accomplished by employing state funds, as yet undefined tax preferences for domestic production, and import tariffs. Parliament is expected to consider specific policies that promote industrialization during its Spring 2015 session. Investors may be expected to carefully watch to see that any such policies are clear and business-friendly.

## **Limits on Foreign Control**

Generally, foreign and domestic businesses can establish and engage in any form of business activity on an equal footing. The U.S.-Mongolia Bi-lateral Investment Treaty (BIT: <http://www.state.gov/documents/organization/43579.pdf>) expressly extends to U.S. investors the benefits of national treatment in Mongolia with exceptions in the banking and finance and real estate sectors. In addition, the 2013 Investment Law of Mongolia (IL) guarantees that all foreign companies and investors registered with the Invest Mongolia Agency are to be treated as Mongolian-registered entities and subject to the same rights and obligations related to ownership and establishment pertaining to any Mongolian entity. (For information on IL see 1.3.)

Although Mongolia imposes no general legal restrictions on foreign project financing or the formation of joint ventures or other business partnerships, the GOM sometimes imposes specific restrictions on an ad hoc, project-by-project basis. These restrictive covenants are most likely be imposed in sectors in which the GOM determines investment may have an impact on national security concerns—e.g., the mining sector. Hence international bidders responding to the third tender for development and operation rights connected to the Tavan Tolgoi (TT) coal mining project were required to find local implementing partners. Local legal experts note that the system by which the GOM regulates such transactions lacks clear statutory bases and transparent, predictable regulatory procedures.

## **Privatization Program**

In mid-2014, President Elbegdorj of Mongolia declared that the GOM should divest itself of many of its state-owned entities in order to streamline government and improve the operations of these entities by subjecting them to market discipline – an approach he calls “Smart Government.” His call has been taken up by the current government, which is seeking to legislate a framework for the full or partial privatization of some parts of state-owned enterprises; for example, the government has proposed privatizing up to 49% of the state-owned airline MIAT —or all of the government’s holdings in the case of state-owned real estate in Mongolia’s urban centers. The GOM has welcomed foreign participation in those efforts but has not yet clearly articulated how the tendering process will work. On the contrary, the GOM has continued to create new state-owned entities.

## **Screening of FDI**

Mongolia has no formal system for screening investments as such, although businesses report a passive system in which specific investments, which are otherwise legal but which the GOM at different levels does not really want, may face steady resistance to registration, permitting, etc.

Although local legal experts dispute its constitutional and statutory authority to limit or suspend legally authorized use rights, the National Security Council of Mongolia (NSCM) has asserted the power to do so, which can and has affected FDI in Mongolia’s mining sector. In 2010, the President of Mongolia used his authority as head of the NSCM to suspend the issuance and processing of both mining and exploration licenses. He argued that the flaws of the licensing regime constituted a threat to national security that justified the NSCM suspending issuances. Domestic and foreign investors and Mongolian government officials disputed this moratorium, claiming that neither the

President nor the NCSM had constitutional or statutory authority to supersede the government's regulatory authority over mining. In 2014 parliament revoked the moratorium. The NSCM also issues assessments of public and private projects of national interest. Barring parliamentary action, a positive assessment allows a project to move forward, while a negative one effectively cancels the project. Investors are concerned that a precedent has been created that will allow future security councils to subject proposed investments to the same kind of secretive, constitutionally dubious national security reviews.

## **Competition Law**

Mongolia's Agency for Fair Competition and Consumer Protection (AFCCP: <http://www.afccp.gov.mn/>) reviews domestic transactions for competition related concerns. For a description of the AFCCP and its legal and regulatory powers see [http://unctad.org/en/PublicationsLibrary/ditccplp2012d2\\_Mongolia\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditccplp2012d2_Mongolia_en.pdf).

## **Investment Trends**

### *Investor Concerns over Travel Bans*

Investors and local legal experts have grown to fear what they call the capricious and arbitrary use of travel bans by Mongolian officials, sometimes at the behest of private interests, as a means to coerce foreign investors to settle civil and criminal disputes. Immigration officials may impose a travel ban for a variety of reasons, including an individual's involvement in civil disputes, pending criminal investigations, or for immigration violations. If banned for either a civil or criminal dispute, exit will not be allowed until either the dispute is resolved administratively or a court renders and implements a judgment. Neither current law nor regulation establishes a transparent process or clear time-table for settlement of such issues. Resolution of criminal and civil commercial cases has taken up to 2.5 years during which time the foreign citizen must remain in Mongolia.

The recent experience of three foreign nationals (among them an American executive), detained for over 2.5 years under these exit ban provisions and ultimately convicted (but later pardoned), in a trial that both international and Mongolian observers—including the President, Speaker of Parliament, and the Prime Minister of Mongolia—called procedurally flawed, has generated fear among investors that they will be indefinitely detained and may be ultimately incarcerated for such civil matters as contract and tax disputes.

### *2006 Minerals Law Amended*

In July 1, 2014, Parliament amended the 2006 Minerals Law. The GOM presented the 2014 amendments as the last changes to the law for the next 5 to 10 years, but investors continue to worry that the GOM will fiddle with it without giving the amendments a chance to work.

Investors have praised the GOM and Parliament for consulting with stakeholders while drafting the law; however, concerns remain. The amendments do not clearly delineate, for example, whether localities may delay or entirely veto exploration and mining activities in their jurisdictions after the central government has issued appropriate licenses.

## *Oyu Tolgoi Plan Offers a Path Forward*

Domestic and foreign investors tell us (and we agree with their assessments) that the *Oyu Tolgoi Underground Mine Development and Financing Plan* (hereafter the Plan) dramatically improves the perception of Mongolia as an investment destination, serious concerns about exit bans, corruption, lack of transparency and the rule of law notwithstanding.

In October 2009, the GOM, Ivanhoe Mines of Canada, and the Rio Tinto Group's U.S.-based Copper Division negotiated investment and share-holders agreements for the Oyu Tolgoi (OT) copper-gold deposit located in Mongolia's South Gobi desert. Rio Tinto eventually acquired control of Ivanhoe, renaming it Turquoise Hill Resources (TRQ). The OT agreements vest the government of Mongolia with 34% of the project and TRQ with 66%, and provide guarantees for local employment and procurement. OT formally commenced operations and exports of copper-gold concentrate in mid-2013.

Investors had hoped that the export of copper and gold would lead to approval of a project finance agreement for Phase II, which is to be an underground block-cave mine and which is expected to account for 80 % of OT's full value over its 40-year plus mine-life. However, from 2013 through 2014, both Rio Tinto and the GOM had failed to agree on key issues related to project costs, management fees, taxation, and permitting, among other issues. This mutual inability to reach agreement had effectively halted Phase II financing.

The domestic impact of the impasse trimmed over 2000 jobs and the planned procurement purchases related to Phase II. For the GOM, this trimming represented a substantial loss of revenue of between US \$200 to US \$300 million per year from the state budget. For the people of Mongolia, these cuts meant that employees and contractors have not developed the skills needed to run OT and other mining developments, in addition the impact on vitally needed household income.

Spelling out the particular and mutual obligations of each party, the Plan sets out a series of confidence building steps between Rio Tinto and the GOM in areas of taxation, local procurement, local development, permitting, etc, which create a path forward to restarting Phase II. Regarding revenues, the Plan reaffirms earlier commitments that 53% of the project value to go to Mongolia over the life of OT; and estimates that the next seven years of Phase II will see direct payments to the GOM of approximately US \$300 million per year, with overall spend in Mongolia reaching approximately of US \$1.3 billion annually. For more details of the Plan: [http://www.turquoisehill.com/i/pdf/2015-05-18\\_OTUMDAFP.pdf](http://www.turquoisehill.com/i/pdf/2015-05-18_OTUMDAFP.pdf).

For foreign investors the importance of this settlement cannot be overestimated. From inception, OT has embodied both the positive and negative of Mongolia's investment climate. Negatively, the dispute raised doubts about the GOM's commitment to contract sanctity, which certainly become a factor in the downgrading of Mongolia's sovereign credit ratings, and has been blamed for the economy-crippling drop in FDI since 2012. Positively, investors perceive that OT settlement proves that Mongolia can say "Yes" to key projects undertaken with foreign involvement and investment; and demonstrates GOM willingness to amend laws and regulations to enhance and ensure the commercial viability of mining projects. Investors emphatically state that resolution of this dispute

may spur a renaissance for FDI akin to the earlier high GDP growth years of 2010-2012, although they caveat this hope by noting that improvements in other areas of investment climate discussed in this report must parallel the justly praised OT settlement.

**Table 1**

Measure	Year	Index or Rank	Website Address
<b>TI Corruption Perceptions index</b>	2014	80 of 175	<a href="http://transparency.org/cpi2014/results">transparency.org/cpi2014/results</a>
<b>World Bank’s Doing Business Report “Ease of Doing Business”</b>	2015	72 of 189	<a href="http://doingbusiness.org/rankings">doingbusiness.org/rankings</a>
<b>Global Innovation Index</b>	2014	56 of 143	<a href="http://globalinnovationindex.org/content.aspx?page=data-analysis">globalinnovationindex.org/content.aspx?page=data-analysis</a>
<b>World Bank GNI per capita</b>	2013	3,770	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

*Millennium Challenge Corporation Country Scorecard*

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC’s indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>. Mongolia was selected for second MCC compact in December 2015.

**Conversion and Transfer Policies**

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**Foreign Exchange**

The Mongolian government employs a liberal regime for controlling foreign exchange for investment remittances. Foreign and domestic businesses report no problems converting or transferring investment funds, profits and revenues, loan repayments, or lease payments into whatever currency they wish to wherever they wish. There remains no difficulty in obtaining foreign exchange in virtually any major world currency. Mongolia’s currency is fully convertible for a wide array of international currencies and does fluctuate regularly in response to economic trends. In regards to domestic transactions, current law requires all domestic transactions be conducted in Mongolia’s national currency, the Tugrik (MNT), except entities granted limited waivers for non-Tugrik transactions by Mongolia’s central bank, the Bank of Mongolia (BOM).

**Remittance Policies**

Businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers occur within 1-2 business days or, at most, a single business week. However, in response to occasional currency shortages, most often of U.S. dollars, commercial banks can temporarily limit the amounts they daily exchange, transmit abroad, or allow to be withdrawn.

Ease of transfer aside, foreign investors sometimes criticize Mongolia's lack of sophisticated mechanisms for converting currencies and hedging forward exposure to MNT. Many Mongolian financial institutions lack experience with these arrangements. Moreover, Mongolian banking law currently provides incomplete statutory grounds and regulatory support for such activity. Letters of credit remain difficult to obtain; and the government has sometimes resorted to pay for goods and services rendered under domestic government contracts with promissory notes, which cannot be directly exchanged into other currencies. The immediate impact has been to limit access to certain types of foreign capital, as international companies resist parking cash in Mongolian banks or in local debt instruments.

As of June 2014, Mongolia complied with the Financial Action Task Force (FATF) requirements related to money laundering and terrorist financing (AML/CTF). For Mongolia's status, see <http://www.fatf-gafi.org/countries/j-m/mongolia/documents/fatf-compliance-june-2014.html>.

### 3. Expropriation and Compensation

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Mongolia has generally respected property rights for most asset types. However, investors have expressed concern over actions that they believe represent either "creeping expropriation" or more direct expropriation, especially but not exclusively those associated with the resource extraction sector.

#### Security of Ownership

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entered in force in 1997. Under this BIT (<http://www.state.gov/documents/organization/43579.pdf>), Mongolia and the United States have agreed to international law standards for expropriation and compensation for expropriation. In addition, both Mongolia's laws and constitution recognize private property rights and the rights associated with their use, and specifically bar the government from expropriating such assets. To date, the GOM has been accused of only a single act of expropriation against an American-owned mining asset.

The Mongolian government may exercise eminent domain in the national interest. Under the current land law, Mongolian state entities at all levels can claim land or modify use rights for purposes of economic development, national security, historical preservation, and environmental and rangeland protection. Investors have expressed little disagreement with such takings in principle; but worry that the lack of clear lines of authority among the central, provincial, and municipal levels of government can lead to a loss of property rights. For example, the 2006 Minerals Law (as amended in 2014) still provides no clear limit on provincial control of permits and special use rights; or guidance on how to apply these powers beyond codifying that the provincial and local authorities have some authority over activities occurring in their *aimags* (provinces) and *soums* (counties). Faced with these unclear lines of authority, the central government often interprets the rules and regulations differently from the provincial and municipal

authorities but declines to enforce its interpretation or even to assist in mediating among the disputing parties, all of which can, and has, effectively suspend investors' access to property and licensed use rights for months and years. The GOM acknowledges the problem but has taken no steps to resolve it.

### **The Use of Criminal Courts to Invalidate Use Rights**

Recently, investors have vehemently criticized the revocation of economic rights by Mongolia's criminal courts. For example, in 2013 a criminal court judge revoked 106 mining licenses, because these had been granted during the tenure of an official subsequently found criminally guilty of corruption. At no time did the court offer specific evidence proving that these licenses, among the hundreds granted during the official's term, were improperly granted. Calling this a form of judicial expropriation, local legal experts claim that this action has become more common since 2013, with criminal courts assessing substantial fines from, or revoking rights of, companies – termed civil defendants under Mongolian law – based on third-party corruption convictions. Of the cases we have observed in actual hearings, at no time did the criminal court allow these civil defendants any opportunity to defend themselves before the court during the trial or at hearings specifically focused on proving corporate malfeasance. Local legal experts have noted that Mongolian law and regulation do not allow criminal courts to render administrative decisions on the status of use rights or assess taxes and fees owed, which is the formal statutory province of the Administrative Court of Mongolia. However, experts explain that the administrators find themselves in a bind, as they are obliged to act on court orders, without regard whether the criminal court that issued the order has the authority to do so. Until this gray area of judicial authority is resolved, investors can have had their economic rights expropriated by a part of the judiciary acting outside its remit, without any opportunity to appeal these losses to a proper authority.

## **Dispute Settlement**

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### **Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts**

Mongolia has adopted the Civil Law tradition in that its courts may informally consider case precedent but are not bound to follow it. Mongolian legal codes and regulations, however, generally lack the specificity of more mature Civil Law systems and this shortcoming often leaves courts attempting to reconcile broadly written codes with the facts of the specific cases they are adjudicating. Although experienced and dedicated judges make due and deliver at least rough justice in routine matters, the lack of guidance for Mongolia's underfinanced and understaffed judicial system invites corruption, especially in cases in which serious money is at stake as in, to take one recurring example, cases pitting large foreign corporations against a domestic government agency or well-connected private Mongolian citizen.

Scholars note in Mongolian legal codes pronounced German and Russian influences and, more recently, influences from the United Kingdom, Canada, and the United States. Mongolia has adopted laws on specific aspects of commerce – including licensing, access to finance, the tax treatment of different types of investment. However, after 25 years of legislating, the passage of new laws and the promulgation of new regulations on contracts, investment, corporate structures, leasing, banking, etc., remains vitally

necessary. Enforcement of court judgments related to commerce is apparently a low priority of the implementing agency (the General Executive Agency for Court Decisions, GEACD). The prioritization of creditor claims can be particularly problematic. Foreign judgments are in principle enforceable in Mongolia, though the weak and convoluted system of enforcement of even domestic judgments remains difficult for foreign litigants to navigate.

## **Bankruptcy**

Mongolian law mandates the registration of mortgages and other debt instruments backed by real estate or other immovable collateral. Registration, however, is complicated and slow and the GEACD has scant expertise in evaluating property and seems particularly reluctant to implement eviction notices and collection actions. The enforcement of foreclosure provisions of debt instruments backed by pledges of movable collateral such as licenses and receivables is complicated by the additional Mongolian reality that pledges of moveable property are not centrally registered, a reality that makes very difficult the performance of due diligence from outside Mongolia. Foreign creditors looking to enforce lien rights backed by moveable assets are sometimes surprised to learn only in a bankruptcy proceeding that collateral pledged to them may not be fully owned by the mortgagee or may be also encumbered by a domestic mortgage which, if it predates the agreement they wish to enforce, may take priority over their claim. In brief, bankruptcy and foreclosure is an option on paper, but we can offer no example of a successful bankruptcy process. Indeed, local law firms hold that the bankruptcy process is too vague, onerous, and time consuming to make it a practical step to end a business.

Overall, the legal system does recognize the concept of collateralized assets as security for loans, investment capital, and other debt-based financial mechanisms; and provides for foreclosure, but only through the judicial rather than administrative proceedings. Although a system exists to register immovable property—structures and real estate—for the purpose of confirming ownership, the current system does not record existing liens against immovable property with inconsistent or non-existent registration of collateral pledges a prime area of confusion. Nor does a system currently exist to register ownership of, and liens on, movable property. Consequently, lenders face the added risk that assets may have already been pledged as security for another debt.

## **Investment Disputes**

There are no hard figures for the number of investment disputes involving foreigners in Mongolia. Most foreign investors desiring to do long-term business in Mongolia prefer to quietly pursue or even abandon particular claims, especially if the government has an interest in the matter, for fear of jeopardizing future opportunities. Strong anecdotal evidence suggests that some Mongolian officials from each branch of government have solicited or offered bribes as a means of pre-empting or resolving particular investment disputes with foreign interests.

In cases in which the government, at whatever level, is involved directly or indirectly, in a dispute, investors have reported and we have observed substantial government interference in the dispute resolution process, both administrative and judicial. Foreign investors describe three general categories of disputes that invite such interference. The first category comprises disputes between private parties that involve one or more

Mongolian government agencies. In these cases, a Mongolian party may exploit contacts in government, the judiciary, law enforcement, or prosecutor's office to coerce a foreign party to accede to some demand. The second category involves disputes between investors and the government directly. In these cases, the government may claim a sovereign right to intervene in the involved business venture, often because the government itself is operating a competing state-owned entity or because particular officials have undisclosed business interests. The third category involves a Mongolian tax official or prosecutor levying highly inflated tax assessments against a foreign entity and demanding immediate payment, sometimes in concert with imposition of exit bans on particular company executives or even the filing of criminal charges. (See Chapter 1.9 for details on travel bans.)

### **International Arbitration**

The GOM consistently declares it will honor resulting arbitral awards. In March 2015, an international arbitral tribunal awarded the Canadian uranium mining company Khan Resources just over US \$100 million as compensation from the Government of Mongolia for the government's expropriation of Khan Resources' legally granted mining rights. Talks between the GOM and Khan Resources over payment have stalled. In late April, the Minister of Justice and Home Affairs publically stated that Mongolia will seek to nullify the binding judgment of the arbitral court. This repudiation of the arbitral decision has given rise to investor concerns that Mongolia will not honor promises to investors on other obligations.

Mongolian businesses partnered with foreign investors often will accept international arbitration, as do government agencies that contract business with foreign investors, rather than avail themselves of the Mongolian Arbitration Bureau operated by the Mongolian National Chamber of Commerce and Industry. Foreign investors tell us that they prefer international arbitration, because they perceive domestic arbitrators as too politicized, too unfamiliar with commercial practices, and too self-interested to render fair decisions.

The U.S.-Mongolia Bilateral Investment Treaty (BIT) entitles both U.S. and Mongolian investors to seek international arbitration in the case of investor-state disputes. (For the BIT: <http://www.state.gov/documents/organization/43579.pdf>.)

#### *ICSID Convention and New York Convention*

Mongolia ratified the Washington Convention and joined the International Centre for Settlement of Investment Disputes in 1991. It also signed and ratified the New York Convention in 1994. To our knowledge, the government of Mongolia has accepted international arbitration in several disputes.

### **Duration of Dispute Resolution**

It is hard to say how long it will "typically" take to resolve an investment dispute in Mongolia. Some cases have been settled within a week through quiet discussion among the parties, while others, particularly in the mining sector, have yet to be settled after six years. For disputes arising through loan default or bankruptcy, waits of up to 36 months for final liquidations and settlement of security are not uncommon.

Although arbitration is widely accepted among business people and elements of the government, support for binding international arbitration has not penetrated local Mongolian agencies responsible for executing judgments. Investors routinely report that the most common problem preventing resolution of debt-driven disputes is that the GEACD often resists executing collection orders and court-ordered foreclosures.

## **Performance Requirements and Incentives**

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### **WTO/TRIMS**

There have been no documented reports or claims that Mongolia employs measures inconsistent with World Trade Organization Trade Related Investment Measures (TRIMS) requirements.

### **Investment Incentives**

The GOM attempts to limit both tax exemptions and incentives, but tries to ensure that tax preferences offered are available to both foreign and domestic investors. The GOM occasionally grants tax exemptions for imports of essential fuel and food products; or for imports in certain sectors targeted for growth, such as the agriculture sector. Such exemptions can apply to both import duties and Mongolia's value-added tax (VAT). In addition, the GOM occasionally extends a 10% tax credit on a case-by-case basis to investments in such key sectors as mining, agriculture, and infrastructure. Under the 2013 Investment Law (IL), foreign-invested companies properly registered and paying taxes in Mongolia are considered domestic-Mongolian entities, thus qualifying for investment incentive packages that, among other incentives, include tax stabilization for a period of years. (For details on the IL see Chapter 1.) In 2014, parliament authorized the Bank of Mongolia (BOM), the central bank, to waive 7.5% of the 10% royalty payments that gold miners must pay when selling gold to the Bank of Mongolia and Mongolian commercial banks; the transactions must be done in Mongolia's currency, the tugrik.

### *Research and Development*

The Government of Mongolia has limited budgets for research activities, and is quite open to foreign participation, especially in the mining, construction, and agricultural sectors.

### **Performance Requirements**

Restrictions on hiring expatriate labor aside, foreign investors currently need not use local goods, services, or equity; or engage in substitution of imports. The government applies the same geographical restrictions to both foreign and domestic investors. Existing restrictions involve border security, environmental concerns, or local use rights. There are no onerous or discriminatory visas, residence, or work permits requirements imposed on American investors. Neither foreign nor domestic businesses need purchase from local sources or export a certain percentage of output; or require foreign exchange to cover their exports.

The GOM encourages value-added production and local sourcing of human and material inputs in Mongolia, especially for firms engaged in natural resource extraction. Although

the GOM has passed no laws forcing local sourcing, government plans call for increased investment in businesses and activities that keep the “value” of a resource in Mongolia. Consequently, companies should expect the GOM to press aggressively for domestic value-added processing. The 2014 Amendments to the 2006 Minerals law of Mongolia have imposed new mandates for local sourcing on mining companies in Mongolia. Specifically, holders of mining licenses should, whenever possible, preferentially supply extracted minerals to Mongolian processing facilities at market prices; should procure goods and services and hire subcontractors from business entities registered in Mongolia; and should ensure that 90 % of workers on site are Mongolian. However, the amendments do not define how “market prices” are to be determined; and implementation of local processing, procurement, and labor requirements may be impractical in many instances. Foreign suppliers registered as Mongolian domestic companies under terms of the IL would satisfy the new local sourcing requirements. (See Chapter 1.3 on the IL.)

Pressure to source locally notwithstanding, foreign investors generally set their own export and production targets without concern for government imposed targets or requirements. There is no requirement to transfer technology. As a matter of law, the government generally imposes no offset requirements for major procurements. Certain tenders and projects on strategic mineral deposits may require agreeing to specific levels of local employment, procurement, or to fund certain facilities or training opportunities as a condition of the tender or project; but as matter of course such conditions are not the normal approach of the government in its tendering and procurement policies. Investors, not the Mongolian government, make arrangements regarding technology, intellectual property, and similar resources and may generally finance as they see fit. Except for a currently unenforced provision of the recently amended Minerals Law of Mongolia requiring mining companies to list 10% of the shares of the Mongolian mining company on the Mongolian Stock exchange, foreign invested businesses currently need sell no shares to Mongolian nationals. Equity stakes are generally at the complete discretion of investors, Mongolian or foreign.

Although Mongolia has no statutory or regulatory requirement, the GOM sometimes restricts the sort of financing that foreign investors may obtain and with whom investors might partner or to whom they might sell shares or equity stakes. These restrictive covenants will most likely be imposed in certain sectors where the investment is determined to have national impact or national security concerns—i.e., the mining sector. Investors and local legal experts note that the system by which the GOM regulates these transactions lacks a clear statutory basis and transparent, predictable regulatory procedures.

Regarding employment, investors can locate and hire workers without using hiring agencies—as long as hiring practices follow Mongolian labor law. Mongolian law requires companies to employ Mongolian workers in certain labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas where a high degree of technical expertise not existing in Mongolia is required.

### **Data Storage**

The GOM has no forced localization policy for data storage; no legal requirements for IT providers to turn over source code or to provide access for surveillance; and no rules or

mechanisms for maintaining a certain amount of data storage at facilities within the territory of Mongolia.

## **Right to Private Ownership and Establishment**

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Generally, unless otherwise forbidden by law, foreign and domestic businesses can establish and engage in any form of business activity. Under the U.S.-Mongolia Bilateral Investment Treaty (BIT: <http://www.state.gov/documents/organization/43579.pdf>), U.S. investors receive national treatment in Mongolia and can start up, buy, sell, merge; in short, do whatever they wish with their assets and firms, with exceptions in the banking and finance and real estate sectors, which are carved out for restrictive treatment under the BIT. In addition, the 2013 Investment Law of Mongolia (IL) guarantees that all foreign investors satisfying formal criteria are to be treated as Mongolian-registered entities and subject to the same rights and obligations related to ownership and establishment pertaining to any Mongolian entity. (See Chapter 1 for IL.)

## **Protection of Property Rights**

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### **Real Property**

Mongolia recognizes the right to own private property, movable and immovable. Regardless of nationality, owners can generally do as they wish with their property, except for real estate, ownership of which allows Mongolian citizens to acquire land only in municipalities. (Note: Mongolian domestic companies do not qualify as citizens for the purpose of owning real estate.) Most of Mongolia's non-urban land, such as pasturage or mineral deposits, remains the property of the state, for which foreign and domestic investors may obtain use rights for terms varying from 3 to 90 years, depending on the purpose and relevant legislation. Although no formal law exists allowing Mongolia's pastoral nomadic herders exclusive rights of pasturage and control of water and land rights as such, rural municipalities administering these resources unofficially recognize that traditional, customary access to these resources by pastoralists must be taken into account before, during, and after other non-resident users, particularly but not exclusively those in the mining sector, access their use and ownership rights. That aside, one can sell, transfer, or securitize structures, shares, use-rights, companies, and movable property, subject to relevant legislation and related regulation controlling such activities. Mongolian law does allow creditors to recover debts by seizing and disposing of property offered as collateral.

### **Mongolia's Current Regime to Protect Creditors**

Investors tell us that Mongolian law can protect creditors but needs reform; and assert that while courts recognize property rights in concept, they have a checkered record of protecting them in practice. Part of the problem is ignorance of, and inexperience with, best international best practices regarding use- rights, land, leases, buildings, and mortgages. As noted in Chapter 4, some judges, whether out of ignorance or apparent partiality for Mongolian disputants over foreigners, fail to follow such practices. Investors tell us that newly trained judges make good faith efforts to uphold property rights but need more experience adjudicating such cases. The legal system also requires judicial foreclosure for any contested foreclosure action. Because all contested foreclosure actions require court review and are subject to appeals up to the Supreme Court of

Mongolia, final resolution can take up to 36 months. In addition, creditors report that it's often easier to get than to execute a court ruling. The problem remains inconsistent enforcement. The court orders the State Collection Office (SCO) to seize forfeited assets, which it should then distribute to creditors. However, foreign and domestic investors routinely claim that SCO regularly fails to execute its responsibilities. In addition, nascent systems for determining title and liens and for collecting on debts make lending on local collateral risky. Although a system exists to register immovable property—structures and real estate—for the purpose of confirming ownership, it does not record existing liens; nor does the system record ownership and liens on movable property. Consequently, creditors risk lending on collateral that debtors may not actually own or which may have already been offered as security for other debts.

## **Intellectual Property Rights**

Mongolia supports intellectual property rights (IPR) in general. A member of the World Intellectual Property Organization (WIPO), Mongolia has signed and ratified most relevant treaties and conventions, including the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (WTO TRIPS). However, Mongolia's parliament has yet to ratify the WIPO Internet treaties. (WIPO: <http://www.wipo.int/directory/en/>.) Despite this, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM: <http://www.ipom.mn/>), make a good faith effort to comply with these agreements.

Under TRIPS and Mongolian law, the Mongolian Customs Authority (MCA) and the National Police (NP) also have an obligation to protect IPR. MCA can seize shipments at the border. The NP has the exclusive power to conduct criminal investigations and bring criminal charges against IPR pirates. The IPOM has the administrative authority to investigate and seize pirated goods administratively. Of these three, the IPOM makes the most consistent efforts to fulfill Mongolia's treaty commitments.

The IPOM generally has an excellent record of protecting American trademarks, copyrights, and patents; however, tight resources limit the IPOM's ability to act. In most cases, when the U.S. Embassy in Ulaanbaatar conveys a complaint from a rights holder to the IPOM, it quickly investigates the complaint. If it judges that an abuse has occurred, it will (and has in every case, so far) seize the pirated products, under administrative powers granted under Mongolian law.

We note two areas where enforcement lags. Legitimate software products remain rare in Mongolia, with the IPOM estimating that 95% of the market uses pirated software. The IPOM enforces the law where it can but the scale of the problem dwarfs its capacity to deal with it. Pirated optical media are also readily available and subject to spotty anti-piracy enforcement. The growth of online downloads of pirated optical media by individuals and local Mongolian TV stations effectively eclipsed local production and imports of fake CD's, videos, or DVD's. The IPOM acknowledges that most of these local public and privately held TV stations, some 184 at latest count, regularly broadcast pirated materials; however, the IPOM hesitates to move on these broadcasters, most of which are connected to major government or political figures. The IPOM will act on specific complaints, but will rarely initiate action. For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en>.

## *Resources for Rights Holders*

Contact at the U.S. Embassy in Ulaanbaatar: <http://mongolia.usembassy.gov/>  
NAME: Economic and Commercial Section  
TELEPHONE NUMBER: +976-7007-6001  
EMAIL ADDRESS: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

For additional resources on protecting IPR in Mongolia, reach out to the American Chamber of Commerce in Mongolia at <http://amcham.mn/>. The U.S. Embassy also provides a list of attorneys at [http://mongolia.usembassy.gov/lawyer\\_list.html](http://mongolia.usembassy.gov/lawyer_list.html).

## **8. Transparency of Regulatory System**

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In 2011, Parliament passed the Law on Information Transparency and the Right to Information (LIT). LIT sets out which government, legislative, and non-governmental organizations must provide information to the public—both in terms of what information entities should disseminate and how these respective organizations should respond to requests for information by citizens and legal entities residing in Mongolia. The LIT requires that state policies, some legislative acts, and administrative decisions be posted on the appropriate government websites in understandable language for no less than 30 days for comment and review prior to enactment. Comments may be incorporated into proposals if appropriate. In addition, government entities must post public hiring processes, concessions, procurement, and budget and finance information. The LIT specifically exempts the armed services, the border protection and internal troops, and intelligence organizations from its provisions. Ongoing citizen complaints and petitions are not subject to the LIT's provisions; nor does the law apply to intellectual property information, proprietary business information, or personal information. To implement the LIT, the Cabinet of Ministers requires ministries to post proposed regulatory changes on ministerial websites for comment and review at least thirty (30) days before approval. The Cabinet does not specify a standard process for collecting and acting upon public comment and review.

In addition to the LIT, the Law on Making Laws (LML) requires (or requests in the case of parliament) those drafting and submitting laws to parliament—termed lawmakers in the LML—subject their legislative acts to comment and review. Specifically, the President and the ministries must submit legislation for review and comment. Parliament may solicit comment and review but is not required to do so. The LML does not specify who is to be consulted; how they are to be consulted; when or where; and what is to be done with these critiques of legislation. Such nods to transparency notwithstanding, investors find that the current process allows no statutory, systematic, and transparent review of legislation and regulations by stakeholders. Most ministerial initiatives still seem to go unpublished until the draft passes out of a given ministry to the full Cabinet. Typically, the full Cabinet discusses and passes bills on to Parliament, without public input or consultation. Parliament itself neither issues a formal calendar nor routinely announces or opens its standing committees or full chamber hearings to the public. While Parliament at the beginning of each session announces a list of bills to be considered during the session, this list is very general and often amended. New legislation is commonly introduced, discussed, and passed without public announcement or consideration, often rather hastily.

## **Informal Legislative and Regulatory Processes that Impede FDI**

While foreign investors are most often invited by government agencies, NGOs, and industry associations to consult on an ad hoc basis on proposed laws and regulations affecting investments, they are strongly discouraged from taking any public role in such consultations. While this approach may avoid some of the controversies attending public comment by foreign investors, it also makes delivery of their advice less transparent and effectively unofficial, allowing the advice to be ignored by officials and Mongolian NGO's and industry associations.

### **United States and Mongolia Sign Bilateral Transparency Agreement in 2013**

On September 24, 2013, the United States of America and Mongolia signed an Agreement on Transparency in Matters Related to International Trade and Investment (TA). The agreement, signed by United States Trade Representative (USTR) Michael Froman and former Mongolian Foreign Minister Luvsanvandan Bold, marks an important step in developing and broadening the economic relationship between Mongolia and the United States. The goal of the TA is to make it easier for American and Mongolian firms to do business. The agreement covers transparency in the formation of trade-related laws and regulations, the conduct of fair administrative proceedings, and measures to address bribery and corruption. In addition, it provides for commercial laws and regulations to be published in English, making it easier for international investors to operate in Mongolia. In December 2014 the Mongolian parliament ratified the TA, thus sending an unambiguous signal to foreign and domestic businesses that Mongolia seeks to restore confidence in the statutory and regulatory processes affecting commerce and trade in Mongolia. Although ratified, the TA has not yet entered into force, but will do so when Mongolia brings certain laws into compliance with the terms of the TA. USTR and the GOM are working on this process.

### **Efficient Capital Markets and Portfolio Investment**

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Mongolia is developing the experience and expertise needed to sustain portfolio investments and active capital markets. In 2013 parliament passed the Revised Securities Market Law (RSML), which most investors believe creates a sufficient regulatory apparatus for these activities. The government of Mongolia (GOM) imposes few restrictions on the flow of capital in any of its markets. Multilateral institutions, particularly the International Monetary Fund (IMF), have typically found the regime too loose, especially in the crucial banking sector.

### ***Money and Banking System, Hostile Takeovers***

Although the government has clear rules about capital reserve requirements, loan practices, and banking management practices, the Bank of Mongolia (BOM), Mongolia's central bank, has historically resisted restraining credit flows and interfering with operations at Mongolia's commercial banks, even when the need to intervene has been apparent. In late 2014, the BOM began to pull back on a series of programs—a primarily a price stabilization program and a mortgage program—that had pumped trillions of Tugriks (MNT) into the economy leading to excessive liquidity, which the World Bank and the IMF say have contributed to the 42% depreciation of the MNT versus the U.S. dollar over the last two years. Inflation has lessened somewhat from a high of 13% in 2014 to 9.8% in January of 2015.

Weakness in Mongolia's banking sector concerns all players, including the International Monetary Fund (IMF: <http://www.imf.org>). The system has been through massive changes since the socialist era, during which the banking system was divided into several different units. This early system failed through mismanagement and commercial naiveté in the mid-90s, but over the last decade has become more sophisticated and somewhat better managed. As of January 2015, Mongolia's 14 banks (13 commercial banks and one state-owned bank) had combined assets of about US \$10.7 billion. For more details on the banking sector, go to the Bank of Mongolia at <http://www.mongolbank.mn/eng/default.aspx>.

Mongolia has two large, generally well-regarded banks owned by both Mongolian and foreign interests. These two banks—Trade and Development Bank and Khan Bank—collectively hold approximately half of all banking assets. They apparently follow international standards for prudent capital reserve requirements, have conservative lending policies, up-to-date banking technology, seem generally well-managed, and are open to foreigners opening bank accounts under the same terms as Mongolian nationals. If a storm descends again on Mongolia's banking sector, these banks appear able to weather it.

From 1999 through late 2008, BOM consistently refused to close any commercial bank for insolvency or malpractice. In late 2008, Mongol Bank took Mongolia's fourth largest bank into receivership. Most deposits were guaranteed and their depositors paid out at a cost of around US\$150 million -- not an inconsequential sum for an economy then hovering at a US\$5 billion per annum GDP. In 2009, Mongolia's fifth largest bank went into receivership, and in 2010 two other mid-sized banks were merged; and in 2013, the BOM shut down Savings Bank for insolvency, merging it with the state-owned State Bank.

While the BOM and Mongolia's financial system have endured these chronic insolvencies, it is notable that each failed bank had shown clear signs of distress before the BOM moved to safeguard depositors and the banking system. As with many issues in Mongolia, the problem is not lack of laws or procedures for dealing with troubled banks, which are sufficient to regulate the sector; but rather, some lack of capacity and an apparent reluctance on the part of BOM banking overseers to more aggressively enforce regulations related to prudential capital reserve requirements, bank management and corporate governance, and non-performing loans.

## **Competition from State-Owned Enterprises**

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Mongolia has State-owned Enterprises (SOEs) in energy production, mining, and transport. Investors have been allowed to conduct activities in these sectors, although in some cases an opaque regulatory framework limits both competition and investor penetration. Indeed, both foreign and domestic private investors believe that the current regime favors Mongolian SOEs over private enterprises. However, in early 2014 President of Mongolia Ts. Elbegdorj articulated a policy to privatize SOE's as part of his "Smart Government" initiative. Throughout 2014 and into 2015, both parliament and two successive governments took up the president's call, but neither has yet developed a legislative and administrative framework for privatization of SOEs.

Mongolia passed and implemented a competition law applying to foreign, domestic, and state-owned entities active in Mongolia. As a practical matter, competition between

state-owned and private businesses had been declining for the simple reason that many parastatals had been privatized. Exceptions included the state-owned power and telecom industries, a state-owned airline, the state-owned rail system (half-owned by Russia), several coal mines, a fluorspar mine and a large copper mining and concentration facility (also half-owned by Russia). Currently, firms from Mongolia, China, Japan, Europe, Canada, and the U.S. have sought opportunities for renewable and traditional power generation in Mongolia. However, few want to invest in the power generation field until the regulatory and statutory framework for private power generation firms up and tariffs reflect commercial best practices and true cost recovery.

Regarding its railways, Mongolia has no plans to privatize its existing railroad jointly held with the government of Russia, but current law does allow private firms to build, operate, and transfer new railroads to the state. Under this law several private mining and foreign state-owned companies have proposed rail links, and obtained licenses to construct these new lines from their respective coal mines to the Chinese border or to the currently operating spur of the Trans-Siberian Railroad. At the moment, the Mongolia's rail policy requires that railroads linking key coal deposits in the South Gobi desert region must first link those deposits to Russia's Pacific ports before linking with Chinese markets. Further, these projects may use the international gauge (used in China and the U.S.) only after the links with Russia are completed, using Russian gauge. The GOM argues that this approach will keep Mongolia from being dependent on one market for its mining products, namely China. As construction on the Russian lines has stalled, there has been some progress on the China lines, with the road bed in the process of being laid. As of April 2015, issues around rail development for the South Gobi mines continued to be discussed in parliament.

### **Government Re-enters the Mining Business**

Although the trend had been for the GOM to extract itself from ownership of firms and other commercial assets, the 2006 Minerals Law of Mongolia (amended in 2014) and the 2009 Nuclear Energy Law keep the state in the mining business. Under both laws, the GOM grants itself the right to acquire equity stakes ranging from 34% up to 100% of certain deposits deemed strategic for the nation. Once acquired, these assets are vested with two state-owned holding companies respectively: Erdenes MGL, for non-uranium mining assets, and MonAtom, for uranium resources. State mandates require these companies to use proceeds from their activities to benefit the Mongolian people.

The role of the state as an equity owner, in terms of management of revenues and operation of mines, remains unclear at this point. Investors question the GOM's capacity to deal with conflicts of interest arising from its position as both regulator and owner-operator. Specifically, they worry that the GOM's desire to maximize local procurement, employment, and revenues may compromise the long-term commercial viability of mining projects. Investors also question the GOM's capacity to execute its fiduciary responsibilities as both owner and operator of mines. For example, through the Erdenes Tavan Tolgoi mining operation (ETT), the GOM received a prepayment of US \$250 million for coal from a Chinese state-owned entity. Rather than allowing ETT to retain these funds to cover substantial startup costs, the GOM claimed the balance of the payment, US\$200 million, for its Human Development Fund, which has redistributed primarily mining revenues to the Mongolian public in the form of monthly cash payments in 2012. ETT's debt to the Chinese SOE remains unresolved, and ETT finds itself owing public and private entities in excess of US \$700 million, with very little to show for the

debts incurred, according to investors familiar with ETT.

Investors worry that the GOM will divert future revenues gained from mining activities—for example capital raised through initial public offerings from strategic mines—for unrelated expenses. Going forward, the GOM will likely have to provide binding assurances that it can responsibly steward company interests rather than seeing state-owned companies as transfer mechanisms for payments to the Mongolian public. Observers are also concerned that the GOM may waive legal and regulatory requirements for state-owned mining companies that it imposes on all others. These concerns seem borne out by the GOM's treatment of state-owned ETT. Generally, private mining firms take at least two years to submit and receive approval for relevant environmental and operating permits for coal mines in Mongolia. However, there is no indication that from EET's inception in 2011 to the present that the GOM has required ETT's two operating mines to follow statutory or regulatory requirements imposed on other operations. A review of timelines suggests that the normally lengthy and costly approval processes cannot have been followed. This preferential treatment for this marquee SOE creates the appearance that the GOM has one standard for its SOEs and another for foreign-invested and private domestic invested companies; and also the appearance that SOEs receive substantial cost advantages via a more lenient interpretation or outright waiver of the legal requirements.

### **OECD Guidelines on Corporate Governance of SOEs**

The State Property Committee (SPC), under the office of the Prime Minister, controls most Mongolian SOEs (excluding the Mongolian Stock Exchange, the Oyu Tolgoi and Tavan Tolgoi mines, certain mining properties, uranium properties and railroads). All SOEs, whether under the SPC or another entity generally report to the Prime Minister and Parliament. SOE's are technically required to submit to the same international best practices on disclosure, accounting, and reporting as imposed on private companies. When SOEs seek international investment and financing, they tend to follow these rules. However, because international best practices are not institutionalized in, and are sometimes at odds with, Mongolian law, many SOEs tend to follow existing Mongolian rules by default. At the same time, foreign-invested firms follow the international rules, causing inconsistencies in corporate governance, management, disclosure, and accounting.

Mongolian SOEs do not adhere to OECD Corporate Governance Guidelines for SOEs: [www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm](http://www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm).

### **Sovereign Wealth Funds**

In 2008, Parliament established the Human Development Fund (HDF), ostensibly Mongolia's first sovereign wealth fund; however, it does not currently function as a sovereign wealth fund. The stated purpose of the law was to fulfill campaign promises to provide every citizen with cash payments in excess of U.S. \$1,000 so that the public could benefit from Mongolia's mineral wealth. The HDF is to be funded from the profits, taxes, and royalties generated by the mining industry as a whole, including large, medium and small scale projects. The HDF basically serves as an instrument to distribute mining revenues to the citizens of Mongolia in the form of social benefits: Payments for pension and health insurance premiums; mortgage support and other loan

guarantees; and payments for health and education services. The GOM has no plans to use the HDF as a conduit for Mongolian investments abroad or for FDI into Mongolia. In that sense, we find no conflict between the HDF and private sector investment. In 2014, Parliament discussed and Ministry of Finance officials publicly stated that they are drafting a new law to create a sovereign wealth fund. As of April 2015, no such draft law had appeared on Parliament's spring 2015 legislative agenda.

In 2011, Parliament created the Development Bank of Mongolia (DBM) for the explicit purpose of financing major infrastructure projects and support for export-oriented industries. Early plans were for the Development Bank to invest in cashmere processing, railways, power, and petroleum processing. The DBM's first tranche of sovereign debt was near U.S. \$ 600 million, and has been followed up by an additional U.S. 500 million of borrowings. DBM investment practices have had no apparent impact on foreign direct investments in Mongolia.

Mongolia passed its Fiscal Stability Law (FSL) in 2010 (amended in 2015) as part of its Stand-By Arrangement with the International Monetary Fund that ended on September 30, 2010. In addition to setting a statutory limit to on-budget debt the state may take on, the FSL establishes a stabilization fund that sets aside certain mining revenues in excess of pre-set structural revenue estimates. Savings may then be used during a downturn to finance the budget. Under the FSL, a portion of the savings generated by the Fiscal Stability Fund can be used to finance domestic and foreign investments. For example, the government is allowed to use this money to purchase long term securities offered by the DBM to fund its activities. How the GOM and parliament will divide mining revenues between the HDF and the FSL remains to be determined, as Mongolia has yet to experience a surplus of these revenues.

## Corporate Social Responsibility

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It is early days for corporate social responsibility (CSR) in Mongolia. Most Western companies make good faith efforts to work with local communities. These efforts usually take the form of specific projects aimed at providing missing infrastructure—wells, power supplies, clinics or schools—or support for education such as books and scholarships. The larger Western firms tend to follow accepted international CSR practices and underwrite a full range of CSR activities across Mongolia; however, the smaller ones, lacking sufficient resources, often limit their CSR actions to the locales in which they work. Only the largest Mongolian firms regularly undertake CSR actions, with small- to medium –sized enterprises generally (but not always) hindered by limited resources from underwriting CSR actions. Generally, firms that pursue CSR are perceived favorably, at least within the communities in which they act. Nationally, responses range from praise from politicians to cynical condemnation by certain civil society groups of CSR actions as nothing more than an attempt to “buy” public approval. (For CSR in Mongolia refer to USAID sponsored Business Plus Initiative's web site: <http://www.bpi.mn/>. For information on the U.S. government approach to CSR-related issues see U.S. Government Approach on Business and Human Rights: <http://www.humanrights.gov/2013/05/01/u-s-government-approach-on-business-and-human-rights/>.)

Mongolia has no broad statutory requirement for CSR actions covering all companies active in Mongolia. (Note: CSR is not statutorily required in the United States.)

However, the 2014 Amendments to the 2006 Minerals Law require minerals exploration and mining companies to develop local development plans with the soum (county) in which they operate. Ministry of Mining officials explain that the GOM will codify and standardize how companies should work with soums on local development issues. To our knowledge these mining CSR standards remain un-promulgated.

### **OECD Guidelines for Multinational Enterprises**

Generally, the GOM uses the bully-pulpit to exhort companies to adopt CSR practices, echoing admonitions of local NGOs and international institutions. However, these exhortations are inconsistent with the OECD principles set forth in the Guidelines for Multinational Enterprises or the United Nations' Guiding Principles on Business and Human Rights (OECD: <http://mneguidelines.oecd.org/ncps/>; UN Principles: [http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR\\_EN.pdf](http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf))

### **Political Violence**

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Mongolia is both peaceful and stable; political violence is rare. Mongolia has held eleven successful presidential and parliamentary elections in the past 19 years, though a brief but violent outbreak of civil unrest followed the disputed parliamentary elections on July 1, 2008. During that unrest, five people were killed and a political party's headquarters was burned. The violence was quickly contained and order restored, and no repeat of that level of civil unrest has occurred since. Indeed, Mongolia held peaceful presidential elections less than a year later in May 2009, in which the incumbent president was defeated and conceded at noon the next day; power was smoothly transitioned to the winner thereafter. Most recently, Mongolia held a politically robust, successful and peaceful series of elections (parliamentary in June 2012, local in November 2012, and presidential in June 2013), that were generally marked by good voter turnouts, and peacefully conducted campaigns. The parliamentary elections resulted in a change of government, while the Presidential election returned the incumbent to office.

A more resource-nationalist tone in politics has become evident. Media and observer reports suggest a rising anti-foreigner sentiment among a few elements of the public, mostly based on the idea of wanting Mongolian resources developed in an environmentally sound, culturally sensitive way by Mongolians for the benefit of Mongolians. These concerns routinely inspire mostly peaceful protests—except for a September 2013 protest outside the Government Palace, during which rifles were fired into the air, and dummy explosive devices were placed in two nearby buildings. No one was harmed, the perpetrators were caught and convicted, and there has been no repeat of a similar event.

This nationalist sentiment has not led to any known incidents of anti-Americanism or politically motivated damage to American projects or installations since Mongolia established relations with the U.S in 1987. However, some commentators over the last three years have described a rising level of hostility to Chinese, Vietnamese, and South and North Korean nationals in Mongolia. This hostility has led to some instances of improper seizure of Chinese and Korean property, and in even more limited cases to acts of physical violence against the persons and property of Chinese—and to a lesser extent Korean and Vietnamese—nationals resident in Mongolia. There have also been

rare and very isolated instances of physical violence directed at European and American foreigners in Mongolia.

## Corruption

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Since 2005, the USAID Mission to Mongolia, in collaboration with USAID/Washington and The Asia Foundation (TAF) has assessed corruption in Mongolia. (For USAID go to [www.usaid.gov/mn](http://www.usaid.gov/mn).) These multiple reviews have found that opportunities for corruption have increased at both the “petty” or administrative and “grand” or elite levels. Both types of corruption should concern Mongolians and investors, but grand corruption should be considered the more serious threat because it solidifies linkages between economic and political power that could negatively affect or ultimately derail or delay democracy and development. Information from the USAID funded surveys are repeated in the U.S. Embassy’s annual Mongolian Human Rights Reports (MHHR) and the Investment Climate Statements. For the MHHR go to <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>.

### Current Anti-Corruption Law

In 2006, Parliament passed the Anti-Corruption Law (ACL), a significant milestone in Mongolia’s efforts against corruption. In addition, the Criminal Code of Mongolia proscribes the acceptance of bribes by officials and provides for fines or imprisonment of up to five years for doing so. It also outlaws offering bribes to government officials. The ACL establishes the Independent Agency Against Corruption (IAAC) as the principal agency responsible for investigating corruption cases. The Organized Crime Department of the National Police Agency also investigates various types of corruption cases and often assists the IAAC in its investigations. (For a review of the IAAC’s activities from its inception through the present see The Asia Foundation Mongolia: <http://asiafoundation.org/publications>.)

In 2013, the MHRR reported that implementation of the ACL remains inconsistent, allowing corruption to continue at all levels of government. Factors contributing to corruption include conflicts of interest, lack of transparency, lack of access to information, a civil service system without adequate protection for government employees, and weak government control of key institutions. Of particular concern, members of parliament remain immune from prosecution during their tenure, which has prevented the prosecution of a number of allegations of corruption, and which can seriously restrict the scope of corruption investigations more broadly. Corruption-related prosecutions, however, increased during 2013 through 2014, and show no abating in 2015, having included a number of high-level officials from across the political spectrum, although questions of political motivation remain.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Mongolia is a State Party to the United Nations Convention Against Corruption (UNCAC), but not the Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention). (UNCAC: [www.unodc.org/unodc/en/treaties/CAC/signatories.html](http://www.unodc.org/unodc/en/treaties/CAC/signatories.html); Anti-Bribery Convention: [www.oecd.org/daf/anti-bribery/countryreportsonteimplementationoftheoecdanti-briberyconvention.htm](http://www.oecd.org/daf/anti-bribery/countryreportsonteimplementationoftheoecdanti-briberyconvention.htm).)

## **MONGOLIA-BASED Resources to Report Corruption**

Contact at Independent Agency Against Corruption (IAAC)

**ADDRESS**

District 5, Seoul Street 41  
Ulaanbaatar, Mongolia 14250

**TELEPHONE NUMBER**

Telephone: +976-70110251; 976-11-311919

Fax: +976-7011-2458

EMAIL ADDRESS: [contact@iaac.mn](mailto:contact@iaac.mn)

Contact at Transparency International Mongolia

NAME: Tur-Od Lkhagvajav, Chairman of the Mongolian National Chapter

**ADDRESS**

Zorig Foundation, 2nd floor  
Peace Avenue 17,  
Sukhbaataar District,  
Ulaanbaatar, Mongolia

**TELEPHONE NUMBER**

Telephone: +976 9919 1007; +976 9511 4777; +976 95599714

Fax: +976 7015 4250

EMAIL ADDRESS: [lturod@gmail.com](mailto:lturod@gmail.com)

## **ADDITIONAL INFORMATION ON RESPONDING TO CORRUPTION**

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or

anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party].

**OECD Antibribery Convention:** The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. [Insert information as to whether your country is a party to the Antibribery Convention and has a foreign bribery law.]

**UN Convention:** The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2015, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see [http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)). [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions on Corruption:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See [http://www.coe.int/t/dghl/monitoring/greco/general/about\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp). As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173>; <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174>). [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States. The [name of FTA] came into force in [date].]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at [www.trade.gov/cs](http://www.trade.gov/cs).

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp). Potential violations of the FCPA can be reported to the Department of Justice via email to [FCPA.Fraud@usdoj.gov](mailto:FCPA.Fraud@usdoj.gov).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa) and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

*POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.*

## Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>
- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: <https://www.sec.gov/spotlight/fcpa.shtml>. The website, which is updated regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.
- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>
- The Trade Compliance Center hosts a website with anti-bribery resources, at <http://tcc.export.gov/Bribery>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm> See also Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf>.
- GRECO monitoring reports can be found at: [http://www.coe.int/t/dghl/monitoring/greco/evaluations/index\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp)
- MESICIC monitoring reports can be found at: [http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)
- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and->

[Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx](http://www.apec.org/Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx).  
For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr>.
- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See <http://info.worldbank.org/governance/wgi/index.aspx#home>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>
- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014>.

Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

## Bilateral Investment Agreements

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For a list of Bilateral Taxation Treaties Mongolia has signed with other nations go to UNCTD: <http://investmentpolicyhub.unctad.org/IIA/CountryBits/139#iialInnerMenu>. In February 2015, Mongolia and Japan signed an Economic Partnership Agreement (EPA). The Parliament of Mongolia has since ratified the EPA, but Japan's legislature has yet to approve it. For more details on the EPA, go to <http://www.mofa.go.jp/policy/economy/fta/mongolia.html>. Although Mongolia and the United States have no bilateral tax or free-trade agreements, the two have signed and ratified a Bilateral Investment Treaty. For the BIT: <http://2001-2009.state.gov/documents/organization/43579.pdf>.

## OPIC and Other Investment Insurance Programs

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The U.S. government's Overseas Private Investment Corporation (OPIC: [www.opic.gov](http://www.opic.gov)) offers loans and political risk insurance to American investors involved in most sectors of the Mongolian economy. In addition, there is an Investment Incentive Agreement in force between the United States and Mongolia that requires the GOM to extend national treatment to OPIC financed projects in Mongolia. For example, under this agreement mining licenses of firms receiving an OPIC loan may be pledged as collateral to OPIC, a right not normally bestowed on foreign financial entities. Find an interactive map showing where OPIC has agreements at <http://www.opic.gov/opic-action/interactive-map-overview>. The U.S. Export-Import Bank (EXIM: [www.exim.gov](http://www.exim.gov)) offers programs in Mongolia for short-, medium-, and long-term transactions in the public sector and for short- and medium-term transactions in the private sector. Mongolia is a member of the Multilateral Investment Guarantee Agency (MIGA: [www.miga.org](http://www.miga.org)).

## Labor

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The Mongolian labor pool is generally educated, young, and adaptable, but shortages exist in most professional categories requiring advanced degrees or vocational training. Shortages include all types of professional trades in the construction field. (For more on labor needs see: <http://www.mca.mn/document/LMSReportMNG.pdf>.) Unskilled labor is sufficiently available. Foreign-invested companies deal with these shortages by providing in-country training to their staffs, raising salaries to retain employees, or hiring expatriate workers to provide skills and expertise unavailable in Mongolia.

Mongolian labor laws are not particularly restrictive. Investors can locate and hire workers without using hiring agencies—as long as hiring practices are consistent with the Mongolian Labor Law. However, Mongolian law requires companies to employ Mongolian workers in all labor categories whenever a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not areas where a high degree of technical expertise is required but does not exist in Mongolia. However, if an employer seeks to hire a non-Mongolian laborer and cannot obtain a waiver from the Ministry of Labor for that employee, the employer can pay a monthly waiver fee. Depending on a project's importance, the Ministry of Labor can exempt employers from 50% of

the waiver fees per worker. However, employers report difficulty in obtaining waivers, in part because of public concerns that foreign and domestic companies refuse to hire Mongolians at an appropriate level.

The Labor Law entitles workers to form or join independent unions and professional organizations of their choosing without previous authorization or excessive requirements and protects rights to strike and to collective bargain. However, some legal provisions restrict these rights for foreign workers, certain public servants, and workers without formal employment contracts, although all groups have the right to organize. The law protects the right of workers to participate in trade union activities without discrimination, and the government has protected this right in general. The law provides for reinstatement of workers fired for union activity, but the Confederation of Mongolian Trade Unions (CMTU) stated that this provision is not always enforced. According to the CMTU, some employees faced obstacles to forming or joining unions, and some employers took steps to weaken existing unions. For example, some companies would use the portion of employees' salaries deducted for union dues for other purposes, not forwarding the monies to the unions. Some employers prohibited workers from participating in union activities during working hours, even though by law workers have the right to do so. There have also been some violations of collective bargaining rights, as some employers refused to conclude collective bargaining agreements.

The law on collective bargaining regulates relations among employers, employees, trade unions, and the government. Wages and other conditions of employment are set between employers (whether public or private) and employees, with trade union input in some cases. Laws protecting the right to collective bargaining and freedom of association generally were enforced. The tripartite Labor Dispute Settlement Committee resolved the majority of disputes between workers and management. Cases that could not be resolved at the Labor Dispute Settlement Committee are referred to the courts. (For more on Mongolian labor laws as they relate to union activity refer to Mongolia Country Reports on Human Rights Practices for 2013 at <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm#wrapper>.)

For a list of International Labor Organization (ILO) conventions ratified by Mongolia see: [http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200\\_COUNTR Y\\_ID:103142](http://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTR Y_ID:103142).

## **Foreign-Trade Zones/Free Ports**

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The Mongolian government launched its free trade zone (FTZ) program in 2004. Two FTZ areas are located along the Mongolia spur of the trans-Siberian highway: one in the north at the Russia-Mongolia border town of Altanbulag; the other in the south at the Chinese-Mongolia border at the town of Zamyn-Uud. Both FTZs are relatively inactive, with development pending at either site. A third FTZ is located at the port of entry of

Tsagaan Nuur in the far western province of Bayan Olgii. Mongolian officials also suggest that the New Ulaanbaatar International Airport (NUBIA), expected to commence operations in 2017, may host an FTZ. In April 2004, the USAID sponsored Economic Policy Reform and Competitiveness Project expressed the following concerns about Mongolia's FTZ Program, which remain valid in 2015. First, benchmarking of Mongolia's FTZ Program against current successful international practices shows deficiencies in the legal and regulatory framework as well as in the process being followed to establish FTZs in the country. Second, FTZ's lack of implementing regulations required to implement key international best practices. Attempts to update the relevant laws and regulations remain ongoing. Third, a process of due diligence, including a cost-benefit analysis, has never been completed for the FTZs. Fourth, sufficient funding has never been mobilized for on-site infrastructure requirements for the three FTZ sites. Finally, deviations from international best practices in the process of implementing FTZs repeats mistakes made in other countries and may lead to "hidden costs" or the provision of subsidies that the government of Mongolia did not foresee or which will have been granted at the expense of higher priorities

## Foreign Direct Investment Statistics

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Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	11,500	2014	12,000	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2012	62.6	N/A	N/A	

**Host country's FDI in the United States (\$M USD, stock positions)**

N/A      N/A      N/A      N/A

BEA data available 3/19/14 at [http://bea.gov/international/direct\\_investment\\_multinational\\_companies\\_comprehensive\\_data.htm](http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm)

**Total inbound stock of FDI as % host GDP**

N/A      N/A      N/A      N/A      N/A

Mongolia Host Country Data: National Statistical Office, Mongolian Statistical Year Book, 2013: [www.nso.mn](http://www.nso.mn)

*Table 3: Sources and Destination of FDI*

Generally, Mongolia's data on in-bound foreign direct investment tallies with Mongolian domestic statistics available from the Invest Mongolia Agency (IMA). However, Mongolia does not track where the beneficial ownership of a given investment actually terminates, but only where the company claims to be domiciled. We are aware of numerous cases where foreign entities active in Mongolia do not incorporate in their countries of origin but in third countries, largely for tax mitigation purposes. Consequently, although Mongolia's data and the IMF's respectively suggests that much of Mongolia's investment originates from such places as the Netherlands or Singapore, much of the investment comes from other jurisdictions.

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**Direct Investment from/in Counterpart Economy Data**

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**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

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Inward Direct Investment			Outward Direct Investment		
Total Inward	13,458	100%	Total Outward	N/A	100%
Netherlands	7,637	57%	N/A	N/A	N/A
Singapore	1424	11%	N/A	N/A	N/A
United Kingdom	906	7%	N/A	N/A	N/A
PRC China	657	5%	N/A	N/A	N/A
Hong Kong SAR	544	4%	N/A	N/A	N/A

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

*Table 4: Sources of Portfolio Investment*

Mongolia does not track portfolio investment, so there is no basis for comparison with the IMF's Coordinated Portfolio Investment Survey data.

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**Portfolio Investment Assets**

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**Top Five Partners (Millions, US Dollars)**

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Total	Equity Securities	Total Debt Securities
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All Countries	387	100%	All Countries	379	100%	All Countries	9	100%
Hong Kong SAR	253	65%	Hong Kong SAR	253	69%	Honduras	3	39%
Australia	34	9%	Australia	33	9%	Singapore	2	28%
Honduras	34	9%	Honduras	31	8%	United States	2	21%
United States	26	7%	United States	25	6%	Australia	1	7%
Singapore	15	4%	Singapore	11	3%	Russian Federation	0	2%

**Source: IMF Coordinated Portfolio Investment Survey**

**Contact at the U.S. Embassy in Ulaanbaatar**

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**NAME: The Economic and Commercial Section**

**Address of Mission:**

U.S. Embassy in Mongolia  
P.O. Box 341  
Ulaanbaatar 14192  
Mongolia

TELEPHONE NUMBER: +976-7007-6001

EMAIL ADDRESS: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

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**Mongolian Resources**

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: [www.parliament.mn](http://www.parliament.mn)

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

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# Chapter 7: Trade and Project Financing

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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Payment in cash is the most common method of payment, although electronic payments are becoming more common. Although the Tugrik is the official currency for all domestic transactions, dollars may be used for some exchanges. These payments can be in hard currency or through wire transfers into and from Mongolian-bank accounts. Letters of credit remain hard to obtain due to weaknesses in banking supervision and difficulties in collecting on defaults.

*Pay-as-one-goes* should be the mantra for American investors active in Mongolia. We do not recommend paying cash in advance or extending credit until a clear record of trust and successful transactions exists. Tight control of finance and procurement is recommended.

There are no private collection or credit rating agencies currently active in Mongolia.

### How Does the Banking System Operate

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The banking system has become more efficient and reliable, although supervision lags and some banks do not measure up to international standards. Prior to 1991, no western-style commercial or central banking system existed in Mongolia. The State Bank was the only bank in Mongolia. In October 1990, the Mongolian Government, in line with free market economic reforms, dissolved the State Bank.

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

The Trade and Development Bank (TDB), Golomt Bank, and Khan Bank are the three largest commercial.

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

1. Registration by the Foreign Investment Registration and Regulation Department (FIRR) \
2. Authorization from the Ministry of Finance.
3. A letter requesting the account.

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

### *Exchange Services*

Mongolian banks provide exchange services for all amounts; however, larger amounts may be subject to regulatory delays or delays due to currency availability.

### *Transfers and Withdrawals*

Most of Mongolia's banks make international money transfers. The three largest banks maintain correspondent relations with several foreign banks and maintain accounts in major world currencies with several of them. Clients may transfer money into and out of their domestic accounts, subject to domestic reporting requirements. There are no set limits on the amount that may be withdrawn from an account. The bank charges a small commission on cash withdrawals in hard currency. There is no commission on cash withdrawals in Tugriks at the day's buying rate. The bank charges a commission on all transfers of hard currency within Mongolia and to other banks abroad.

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

### *Travelers' Checks, Credit Cards, and ATMs*

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

Major hotels accept American Express, Visa, Master Card, and JCB credit cards. More major stores, restaurants, and travel agencies also accept credit cards. Most banks offer cash advances on major credit and charge cards. Most banks maintain ATMs that allow cash withdrawals through international networks. Merchants can add a 3 %- 4% surcharge on both credit and charge card purchases.

## **Foreign-Exchange Controls**

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The tugrik (MNT) is the national currency of Mongolia and the only legal currency. Since July 1996 and renewed in 2009 legislation, all cash payments and transactions are made in Tugriks (with exceptions for certain bank and government transactions). Mongolia maintains a floating exchange rate policy. Over the past several years, the exchange rate has been relatively stable. In July 2015, the rate was approximately US \$1 = 1,950 MNT. Individuals may exchange money at authorized currency exchange

points, as well as at banks and hotels. English language newspapers and radio and TV programs regularly report exchange rates.

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

## **U.S. Banks and Local Correspondent Banks**

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### **International Service Banks in Mongolia**

**Khan Bank of Mongolia:** <https://www.khanbank.com/en.html>

Tel: 976-11-332-333  
Fax: 976-7011-7023  
Hotline: 1917

Seoul Street-25  
PO.BOX-192, Ulaanbaatar-44  
Mongolia

**Golomt Bank:** <http://www.golomtbank.com/en/home/site-map/>

Tel: 976-7011-7676  
Fax : 976-11-312-307; 311-958  
Hotline: 1646  
Telex: 79247 GLMT MN

Sukhbaatar Square  
Ulaanbaatar 210620  
Mongolia

*Trade and Development Bank:* <http://www.tdbm.mn>

## **Project Financing**

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

Sources of financing available for US exporters and investors are:

**THE WORLD BANK ([www.worldbank.org](http://www.worldbank.org) or [www.worldbank.org/mn](http://www.worldbank.org/mn) ):**

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

The World Bank conducts procurement by the rules of international competitive bidding through Mongolian government agencies; nonetheless, successful bidding requires close coordination with the Mongolian government entity responsible for development of a project at the consulting stage, when specifications are being established. The World Bank Mongolia Office can be contacted at (976-11) 312-647 or by email at [eastasiapacific@worldbank.org](mailto:eastasiapacific@worldbank.org).

**THE INTERNATIONAL FINANCE CORPORATION ([www.ifc.org](http://www.ifc.org) or [www.ifc.org/ifcext/eastasia.nsf/Content/mongolia](http://www.ifc.org/ifcext/eastasia.nsf/Content/mongolia) ):**

IFC maintains an office in Ulaanbaatar and plans more activities in Mongolia. IFC's core business is financing projects with cash flows that can cover debt-service repayment to lenders and payment of dividends to shareholders. Such financing is without government guarantees. IFC can be contacted through its Washington, D.C. headquarters at (202) 473-1000 or at its Ulaanbaatar office (976-11) 312-694 or by email at [Ntuyen@ifc.org](mailto:Ntuyen@ifc.org).

**ASIAN DEVELOPMENT BANK ([www.adb.org](http://www.adb.org) or <http://www.adb.org/Mongolia>):**

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

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

**EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (<http://www.ebrd.com/pages/country/mongolia.shtml>):**

EBRD maintains an active portfolio in Mongolia in all sectors of the Mongolian economy. Contact the EBRD at Tel: (976 11) 317 974/298; Fax: + 976 11 315 844.

**US TRADE AND DEVELOPMENT AGENCY (TDA: <http://www.tda.gov> ):**

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

- The project is a developmental priority of the host country
- There is a likelihood of project financing
- The US export potential is significant

- There is foreign competition for the project

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

**EXPORT-IMPORT BANK (EXIM: <http://www.exim.gov> ), INTERNATIONAL FUNDING INFORMATION SERVICE (IFIS), AND THE OVERSEAS PRIVATE INSURANCE CORPORATION (OPIC: <http://www.opic.gov>)**

Currently, EXIM and OPIC are open for Mongolian projects.

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### **Mongolian Resources**

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: [www.parliament.mn](http://www.parliament.mn)

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### **U. S. Government Resources**

Trade Finance Guide: A Quick Reference for U.S. Exporters, published by the International Trade Administration's Industry & Analysis team:  
<http://www.export.gov/tradefinanceguide/index.asp>

U.S. Export-Import Bank of the United States (EXIM): <http://www.exim.gov>

- EXIM Country Limitation Schedule:  
[http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

Overseas Private Investment Corporation (OPIC): <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

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## Chapter 8: Business Travel

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### Business Customs

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- Personal relationships in business are critical. The Mongolians like to deal with *old friends*. Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and the buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.
- Family and school ties remain strong in Mongolia. Learn who is related to whom when establishing business connections.
- Mongolians look for cues of serious intent by how much effort—time and material—a foreign investor puts in the early phases. Initial meetings should be conducted in formal settings, in suit and tie, with an exchange of cards. Small gifts are always appreciated. Subsequent meetings can be more relaxed as circumstances permit. Lunches and dinners are always appreciated. However, expect and allow the Mongolians to be generous hosts, as this is an important part of local culture. Being a good guest and business partner requires that one partake of the festivities at the start of any business relationship. However, to keep the relationship balanced from the start, we advise businesses to host a meal(s).
- New entrants to the Mongolian market tend to see Mongolians through the prism of their neighbors. That is, one may think that Mongolians are like the Chinese or the Russians or the Koreans, etc. While historical and cultural affinities exist between Mongolia and her neighbors, Mongolians are very conscious and proud of their history and the progress of their country over the last decades. They become offended if confused with China and deeply resent being compared to other developing countries with similar commodity-dependent economies—especially those from Africa. Rather they prefer to be compared to other former East-Bloc nations as Poland, Kazakhstan, Ukraine, the Czech Republic, etc.
- Avoid letting cultural sensitivity to Mongolian norms get in the way of good judgment and commonsense. Some Mongolians will tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal may not go through if those practices are not ignored. We advise

investors to politely but firmly cleave to sound business principles. Investors who do so will earn the respect of the Mongolians and may protect their investment, too.

## Travel Advisory

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For more on international travel, travel advisories, etc.; please see travel information on the Department of State's website: [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_973.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_973.html). The US Embassy in Ulaanbaatar also has a website: <http://mongolia.usembassy.gov/>.

## Visa Requirements

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### Mongolian Visas

Mongolia requires a valid passport for American visitors. No visa is required for Americans visiting for less than 90 days. However, certain registration requirements may apply. For updated registration requirements please inquire from the Mongolian Immigration, Naturalization and Foreign Citizens Agency (INFCA) in Ulaanbaatar (<http://immigration.gov.mn/index.php>). American visitors who fail to register and stay longer than 30 days may be stopped at departure, denied exit, and fined. Americans planning to work or study in Mongolia should apply for a visa at a Mongolian Embassy or Consulate overseas. Failure to do so may result in authorities denying registration, levying a fine, and requiring that the visitor leave the country. For current information on visa/registration requirements, contact the Embassy of Mongolia in Washington, D.C. at: (202) 333-7117 or <http://www.mongolianembassy.us>.

***Please be advised the U.S. Embassy cannot assist you with visa applications or intercede on your behalf should you have a problem with a Mongolian visa.***

### Residency Permits

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

For more detailed information about residency permits, contact IMA at [www.investmongolia.com](http://www.investmongolia.com).

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

## Travel Information

U.S. citizens transiting China to reach Mongolia can obtain a 72-hour transit visa exemption at ports of entry in Beijing and Shanghai for short stays; subject to satisfying certain requirements (see [http://beijing.usembassy-china.org.cn/acs\\_faq.html](http://beijing.usembassy-china.org.cn/acs_faq.html).) However, US citizens traveling to Mongolia via China may also obtain a valid Chinese visa from an authorized Chinese diplomatic mission--even if the traveler is only transiting Beijing airport.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy in Ulaanbaatar: <http://mongolia.usembassy.gov/index.html>

## Telecommunications

Mongolia has an evolving telecommunications system. In the capital of Ulaanbaatar, the Internet is available and reliable if not as fast as businesses might need. Mongolia has reliable satellite, Wi-Fi, and fiber-optic linkages to the World Wide Web; however the last mile of connection for some publicly accessible systems, especially in rural Mongolia, remains through landlines and dial-up modems. Consequently, downloads to these sites may be slow and subject to interruption.

Mongolia has numerous ISPs and Internet cafes offering a full range of services. Most hotels, usually in *business centers*, offer regular access to the Internet. A growing number of hotels offer in-room connectivity. We advise travelers to contact their hotel in advance of travel regarding this issue.

Wireless services have become common at private venues. Usually, these private venues offer the service to customers at no charge.

In the countryside computing remains a challenge. Most provincial capitals have several Internet cafes but some linkages are by land-wire to Ulaanbaatar, which are subject to regular disruption. Firms requiring e-services in the field may have to make provision for some sort of satellite infrastructure.

Regarding phone service, Mongolia has followed a fairly regular pattern for Asia. Rather than upgrading its land-based system, Mongolia has encouraged the speedy development of a cellular system. Ulaanbaatar and most of its surrounding municipalities are linked by four existing private cellular service providers Mobicom, Skytel, Unitel, and G-Mobile. These firms offer sales and service for handsets and other products related to their fields.

Cellular service in the countryside is available in all provincial capitals and in most county centers. Satellite-phone service is also available through Mobicom.

Business travelers can best enter Mongolia by plane (or train if time is less of an issue). Currently there are no direct flights from a US point of departure to Ulaanbaatar, Mongolia. One can fly from the US to Seoul/Inchon, Beijing, Tokyo, Berlin, Frankfurt, Istanbul or Moscow; and then take the last leg into Ulaanbaatar's Chinggis Khaan International Airport. Korean Airlines, Air China, Aeroflot, Turkish Airlines and Mongolian National Airlines (MIAT) maintain weekly flights. Summer schedules offer more flights than in winter, including as of summer 2014 direct flights from Paris (Hunnu Airlines) and Frankfurt (MIAT) but still flights are limited. In summer seating may be in short supply during high season (June-September). We advise booking early in the summer.

During the spring (and sometimes in summer), severe storms may cause flight cancellations but more normally delays.

Domestic air service is available to most provincial capitals through MIAT and Hunnu Airlines.

The difficulty of in-country travel is directly related to how far one wishes to travel from Ulaanbaatar. There are generally no restrictions on in-country travel, except when within 25 kilometers (15 miles) of Mongolia's international borders with China and Russia. If traveling to these areas, check with a local travel company regarding required permits.

Within the capital transport options abound. Taxis, Mini-buses, buses, and electric trolleys are readily available. We suggest that first time business travelers arrange for a car and driver with a local travel firm. Costs vary with type of car and driver, but cars ranging from US limousines to Russian Jeeps are available.

Traffic and road conditions in Ulaanbaatar have become progressively worse over the last few years; and so, travelers are advised to schedule their meetings and trips with no less than a half-hour margin.

In the countryside, travel requires a reliable, off-road vehicle and a skilled driver. Jeeps are also available for hire to more remote destinations. Most of Mongolia's road network is unpaved and travel is unpredictable. Ulaanbaatar has hotels with standard amenities, but few hotels exist outside of the capital. In the countryside, there are ger camps (encampments of 15 to 40 traditional round felt tents). Each ger usually accommodates four persons. Most tourist camps have a restaurant and are usually equipped with toilets and showers with hot water.

Mongolian is the official language of Mongolia. All contracts and other legal documents must be in Mongolian if the business conducted is done in this country. Translations of contracts, laws, regulations, etc., have no force in Mongolian courts, agencies, and other government offices.

English is the *de facto* language through which most foreign investors engage with their Mongolian counterparts. Russian, Japanese, German, Korean, and Chinese are also used.

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

### **SOS Medica Mongolia**

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

UB International Clinic  
4a Building, Big Ring Road, 15th Micro District,  
7th Khoroo, Bayanzurkh District, Ulaanbaatar, Mongolia

#### **Opening hours:**

9am-6pm – Monday to Friday

After hours, weekends and public holidays – Emergency call-out service

#### **Contact details:**

Telephone: +976-11-464325 /26/27

Clinic Manager: +976-99096175

Fax: +976-11-454537

#### **For after hour emergencies please phone:**

**+976-9911-0335 (English)**

**+976-9191-3122 (Mongolian)**

**E-mail:** [admin@sosmedica.mn](mailto:admin@sosmedica.mn) , [marketing@sosmedica.mn](mailto:marketing@sosmedica.mn)

**Website:** <http://www.sosmedica.mn>

### **UNITED FAMILY INTERMED HOSPITAL**

#### **HOURS:**

Monday - Friday: 8am - 5pm

Saturday: 9am - 2pm

Sunday: Closed

24/7 Emergency and Inpatient Services

#### **ADDRESS**

United Family Intermed Hospital  
Chinggis Avenue 41,

Khan-Uul District 15,  
Uildver 17040,  
Ulaanbaatar, Mongolia

**TEL**

(976)-7000-0203 , 7710-0203

**EMERGENCY**

(976)-7000-0103

**FAX**

(976)-7000-0203

**EMAIL:** [info@intermed.mn](mailto:info@intermed.mn)

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

**Local Time, Business Hours, and Holidays**

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Mongolian Standard Time (MST) is thirteen (13) hours ahead of EST in the fall and winter months. In the spring and summer months, Mongolia goes on daylight savings time and is thirteen (13) ahead of EDT. The standard 40 hour workweek is 0900-1800, Monday through Friday, with an hour for lunch. Holidays are as follows:

**Mongolian and U. S. Official Holidays in 2015**

January 1	Thursday	New Year's Day	US
January 19	Monday	Martin Luther King's Day	US
February 16	Monday	Presidents Day	US
February 19-20	Thurs-Fri	Lunar New Year	Mon
March 9	Monday	International Women's Day	Mon
May 25	Monday	Memorial Day	US
June 1	Monday	Mother/Children's Day	Mon
July 3	Friday	Independence Day	US
July 13-15	Mon-Wed	Naadam Holiday	Mon
September 7	Monday	Labor Day	US
October 12	Monday	Columbus Day	US
November 4	Wednesday	Chinggis Khaan's Birthday	Mon
November 11	Wednesday	Veterans Day	US
November 26	Thursday	Thanksgiving	US
December 25	Friday	Christmas Day	US
December 29	Tuesday	Independence Day	Mon

## Temporary Entry of Materials and Personal Belongings

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The Mongolian National Chamber of Commerce and Industry can arrange for duty free import of display items for trade shows. For more information, contact the MNCCI in Ulaanbaatar:

**Tel:** 976-11-327176

**Fax:** 976-11-324620

**Email:** [chamber@mongolchamber.mn](mailto:chamber@mongolchamber.mn)

**Web Site:** [www.mongolchamber.mn](http://www.mongolchamber.mn)

MNCCI Building  
Mahatma Gandhi street  
1st khoroo, Khan-Uul district  
Ulaanbaatar 17011

## Web Resources

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### Mongolian Resources

Invest Mongolia Agency: <http://www.investmongolia.com/>

General Tax Authority of Mongolia: [www.mta.mn](http://www.mta.mn)

State Registration Office of Mongolia: <https://burtgel.gov>

General Authority for Social Insurance: [www.ndaatgal.mn](http://www.ndaatgal.mn)

Government of Mongolia: <http://www.pmis.gov.mn>

Intellectual Property Office: <http://www.ipom.mn/>

Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>

Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>

Mongolian Builders Association: <http://www.buildersasso.mn>

Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>

Parliament of Mongolia: [www.parliament.mn](http://www.parliament.mn)

American Chamber of Commerce Mongolia: <http://amcham.mn/>

Business Council of Mongolia: [www.bcmongolia.org/](http://www.bcmongolia.org/)

### U. S. Government Resources

Commercial Specialist: [Ulaanbaatar-Econ-Comm@state.gov](mailto:Ulaanbaatar-Econ-Comm@state.gov)

U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>

U.S. Department of State: <http://www.state.gov/>

U.S. Department of Commerce: <http://www.commerce.gov/>

U.S. International Trade Administration: <http://www.trade.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov>

U.S. Export-Import Bank: <http://www.exim.gov/>

U.S. Overseas Private Investment Corporations: <http://www.opic.gov>

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## Chapter 9: Contacts, Market Research and Trade Events

### Chapter 9: Contacts, Market Research and Trade Events

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#### Contacts

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#### **A. Mongolian Government**

##### **Office of the Prime Minister**

Tel: (976-11) 320-123

Fax: (976-11) 327-825

Website: [http://www.pmis.gov.mn/pmis\\_eng/index.php](http://www.pmis.gov.mn/pmis_eng/index.php)

- Open government: <http://www.open-government.mn/>
- Central Intelligence Agency: <http://www.gia.gov.mn/>
- Information Technology and Post Agency: <http://itpta.gov.mn/>
- Communications Regulatory Committee: <http://www.crc.gov.mn>
- Investment Mongolia Agency: [www.investmongolia.com](http://www.investmongolia.com)
- State Property Committee: <http://www.spc.gov.mn/eng/>

##### **Office of the Deputy Prime Minister**

Tel: (976-11) 260535, 976-11) 321956

Fax: (976-11) 321956

Website: [www.pmis.gov.mn](http://www.pmis.gov.mn)

- Intellectual Property Office: <http://www.ipom.mn/>
- Center of Standardization and Metrology: <http://www.masm.gov.mn/>
- Agency for Fair Competition and Consumer Protection:  
<http://www.afccp.gov.mn/?lang=en>
- State Professional Inspection Agency: <http://www.inspection.gov.mn>
- Procurement Policy Department: <http://www.mof.gov.mn/page/?lan=en&c=3514>
- National Emergency Management Agency: <http://www.nema.gov.mn/>

##### **Cabinet Secretariat of Government of Mongolia**

Tel: (976-11) 262408

Fax: (976-11) 310011

Website: <http://cabinet.gov.mn/>

##### **Ministry of Construction and Urban Development**

Website: <http://www.mcup.gov.mn>

- Administration of Land Affairs, Construction, Geodesy and Cartography: <http://www.gazar.gov.mn>

### **Ministry of Defense**

Tel: (976-51) 261-718

Fax: (976-11) 322-904

Website: <http://www.mod.gov.mn/index.php>

- General Staff of the Mongolian Armed Forces: <http://gsmaf.gov.mn/>

### **Ministry of Education, Culture, and Science**

Fax: (976-11) 323-158

Website: [www.meecs.gov.mn/](http://www.meecs.gov.mn/)

E-mail: [Info@meecs.gov.mn](mailto:Info@meecs.gov.mn)

### **Ministry of Energy**

Tel: (976-11) 320-126

Fax: (976-11) 319-335

Website: <http://www.energy.gov.mn/weblink>

### **Ministry of Environment, Green Development, and Tourism**

Tel: (976-51) 261-966

Fax: (976-511) 266-171

Website: <http://www.mne.mn/>

- Agency of Metrology and Environment Monitoring :<http://www.namhem.pmis.gov.mn/>

### **Ministry of Finance**

Tel: (976-11) 260-247, 262-712

Fax: (976-11) 320247

Website: <https://www.mof.gov.mn/?lang=en>

- Mongolian Tax Administration: <http://en.mta.mn/pages/18>
- General Customs Office: <http://www.ecustoms.mn/>

### **Ministry of Food and Agriculture**

Tel: (967-11) 262204

Fax: (976-11) 450258

Website: <http://www.mofa.gov.mn>

- Agency for Veterinary and Animal Breeding: [vetermongolia@magicnet.mn](mailto:vetermongolia@magicnet.mn)

### **Ministry of Foreign Affairs**

Tel: (976-51) 262-788

Fax: (976-11) 322-127

Website: <http://www.mfa.gov.mn>

### **Ministry of Health and Sports**

Tel. (976-51) 263-913

Fax: (976-11) 320-916

Website: [www.moh.mn](http://www.moh.mn)

### **Ministry of Justice & Internal Affairs**

Tel: +976-51-267-533

Fax: +976-51-267-533

Website: [www.moj.gov.mn](http://www.moj.gov.mn)

- General Police Department: <http://www.police.gov.mn/>
- General Authority for Border Protection: <http://bpo.gov.mn/>
- General Authority for State Registration: <http://www.citizenmongolia.com/>
- General Authority for Implementing Court decisions: <http://www.court-decision.gov.mn/>
- National Archives: <http://www.archives.gov.mn/>
- Immigration Agency: [www.immigration.gov.mn/](http://www.immigration.gov.mn/)

### **Ministry of Labor**

Tel: (976-51) 261-418

Fax: (976-51) 261-516

Website: <http://www.mol.gov.mn/>

### **Ministry of Mining**

Tel: (976-51) 263-506, 265-814

Fax: (976-11) 318-169

Website: [www.mm.gov.mn](http://www.mm.gov.mn)

- Mineral Resources Authority: <http://www.mram.gov.mn/index.php?lang=en>
- Petroleum Authority - <http://www.pam.gov.mn/>

### **Ministry of Population Development and Social Welfare**

Tel: (976-51) 264-791

Fax: (976-11) 328-634

Website: [www.mpdsp.gov.mn](http://www.mpdsp.gov.mn)

- General Authority for Social Insurance: <http://www.ndaatgal.mn/>
- General Office for Social Welfare Service: [www.hun.gov.mn](http://www.hun.gov.mn)
- National Authority for Children: <http://www.nac.gov.mn/>

### **Ministry of Roads and Transportation**

Tel: (976-11) 322-406; (976) 7011-2333

Fax: (976-11)312-315

Website: [www.mrt.gov.mn](http://www.mrt.gov.mn)

- Civil Aviation Authority: <http://www.mcaa.gov.mn/index.php/page-en/10>
- Railway Authority: <http://www.mtz.mn/>

## **B. Parliament of Mongolia: <http://www.parliament.mn/>**

- National Audit Office: <http://www.mnao.mn/mn>
- National Statistical Office [www.nso.mn](http://www.nso.mn)
- Bank of Mongolia <http://www.mongolbank.mn/>
- Government Service Council <http://csc.gov.mn/>
- Financial Regulatory Commission <http://www.frc.mn/>
- National Human Right Commission <http://www.mn-nhrc.org/>
- General Election Commission <http://www.gec.gov.mn/>
- Constitutional Court <http://www.conscourt.gov.mn/>
- Independent Authority Against Corruption <http://www.iaac.mn/>

## **C. Office of the President of Mongolia: [www.president.mn/eng/](http://www.president.mn/eng/)**

- National Security Council of Mongolia: <http://www.nsc.gov.mn/>

## **D. CHAMBERS OF COMMERCE/TRADE ASSOCIATIONS**

### **Mongolian National Chamber of Commerce and Industry**

Website: [www.mongolchamber.mn](http://www.mongolchamber.mn)

### **Mongolian Employers Federation**

Website: [www.monef.mn](http://www.monef.mn)

### **Mongolian Stock Exchange**

Website: [www.mse.mn](http://www.mse.mn)

## **D. MARKET RESEARCH FIRMS**

### **U.S.-Mongolia Advisory Group, Inc.**

Dr. Alicia Campi

6002 Ticonderoga Court

Burke, VA 22015

Phone/Fax in Virginia: 703-451-6456

Phone in New York City: 212-861-9460

E-mail: [usmagcampi@aol.com](mailto:usmagcampi@aol.com)

### **Business Council of Mongolia (BCM)**

Mr. Jim Dwyer, Executive Director

Mr. I. Ser-Od, Vice Director

Tel/Fax: (976-11) 332345

Email: [serod@bcmongolia.org](mailto:serod@bcmongolia.org)

Website: [www.bcmongolia.org](http://www.bcmongolia.org)

### **North America Mongolia Business Council, American Office (NAMBC)**

Mr. Steve Saunders, President

Phone: (703) 549-8444

Fax: (703) 549-6526

Address: 1015 Duke Street, Alexandria, Virginia 22314, USA

Email: [steve@nambc.org](mailto:steve@nambc.org)  
Website: [www.nambc.org](http://www.nambc.org)

**Sant Maral**

Mr. I Sumati  
Tel: (976) 9911-6367  
Email: [lsumati@magicnet.mn](mailto:lsumati@magicnet.mn)

**E. BANKS**

**Mongol Bank (Central Bank)**

Website: [www.mongolbank.mn](http://www.mongolbank.mn)

**Trade and Development Bank**

Website: [www.tdbm.mn](http://www.tdbm.mn)

**Khan Bank**

Website: [www.khanbank.com](http://www.khanbank.com)

**Golomt Bank**

Website: <http://www.golomtbank.com>

**Khas Bank**

Website: <http://www.xacbank.mn>

**F. US EMBASSY CONTACTS**

**The United States Embassy**

Mr. Michael Richmond, Ph.D., Senior Commercial Specialist

E-mail: [richmondmd@state.gov](mailto:richmondmd@state.gov)

Web Site: [www.mongolia.usembassy.gov/](http://www.mongolia.usembassy.gov/)

*Mongolia Mailing Address:*

U.S. Embassy in Mongolia  
P.O. Box 341  
Ulaanbaatar-14192  
MONGOLIA

*U.S. Mailing Address:*

American Embassy Ulaanbaatar  
Department of State  
Washington, DC 20521-4410  
Attention Senior Commercial Specialist Michael Richmond

**G. Washington-Based USG Mongolia Contacts**

**Washington-Based USG Mongolia Contacts**

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

**U.S. Trade Development Agency**  
1000 Wilson Boulevard  
Suite 1600  
Arlington, Virginia 22209  
Tel: 703/875-4357  
Fax: 703/875-4009  
Web site: [www.tda.gov](http://www.tda.gov).

**TPCC Trade Information Center**  
Tel: 800-USA-Trade

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

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

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

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

## **Market Research**

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## **Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

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## Chapter 10: Guide to Our Services

### **SelectUSA:**

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG).

SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:

Information Assistance:

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.
- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence from the Foreign Commercial Service network across more than 70 foreign markets.

Ombudsman Services: SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

Investment Advocacy: U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

Promotional Platform: SelectUSA brings the power of the “USA” brand to high-profile events, such as, such as the upcoming 2015 Investment Summit, to attract investors to learn about our nation’s investment opportunities. SelectUSA organizes international Road Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link:

<http://selectusa.commerce.gov/>

### **National Export Initiative:**

The President’s National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new

markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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