U.S. EMBASSY IN ULAANBAATAR MONGOLIA

2014 MONGOLIA INVESTMENT CLIMATE STATEMENT

U.S. EMBASSY ULAANBAATAR, MONGOLIA

7/28/2014

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Executive Summary

Mongolia's main economic and political challenges are all linked to ensuring steady growth through the boom and bust cycles likely to visit this resource-dependent economy. Double-digit economic growth over the past few years—2011's sizzling 17.3 % GDP growth, for instance—has been based on the investment in, and the production and export of, minerals. Mongolia is a major producer of several minerals including coal, copper, gold, zinc, and fluorspar. With extensive reserves, it 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, based on Mongolia's economic development needs, include infrastructure, transportation, energy, construction, healthcare, and environmental products and services.

However, Mongolia has suffered ongoing setbacks to its economic advancement. Indeed, growth has steadily slowed from 2011's 17.3 % to 2013's 11.7 %. Both the International Monetary Fund (IMF) and World Bank estimate 2014 GDP to decline to 9.5%; and 2015, depending on Mongolian policy decisions, may range from a high of 12% to as low as 2%. The IMF cites loose fiscal and monetary policies as likely causes for negative economic adjustment. (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.)

As with GDP, Foreign Direct Investment (FDI) has steadily declined, constraining development of the mining and infrastructure sectors. In 2012, FDI invested in Mongolia (mostly in the mining sector) reached USD $3.9 billion, which amounted to approximately 40% of that year's GDP. In 2013, FDI had contracted by nearly 45%. In the first five months of 2014, Mongolia's central bank reported that FDI through May was US $402.3 million compared to US $1.11 billion a year ago—a 64% year-on-year decline.

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 thus 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. Some investors are concerned that 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 likely 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.

Chapter 1: Openness to, and Restrictions upon, Foreign Investment

1.1. Attitude toward FDI

The Government of Mongolia (GOM) has consistently said that it supports foreign direct investment (FDI) in all sectors. Throughout 2013 and well into 2014, the President of Mongolia, Ts. Elbegdorj, and other senior officials have publicly stated in a variety of international and domestic venues that the GOM will keep key foreign investment commitments and pass investor-friendly legislation, because they recognize the value of FDI for Mongolia. On May 8, Parliament passed a resolution on "measures to spur economic activities" identifying steps to improve foreign currency flows, lower risk, and improve the business and investment environment; and on July 1, passed long-awaited amendments to the Minerals and Petroleum Laws respectively. However, some investors assert that Mongolia's support for FDI remains more aspiration than reality. Specifically, they report that, reform of a key investment law and resource laws notwithstanding, resolving disputes with Rio Tinto expeditiously according to the terms of the Investment and Share Holders Agreements and then moving to complete development of the Oyu Tolgoi (OT) project will explicitly demonstrate the GOM's commitment to the transparent rule of law, sanctity of contracts, and free market principles. Settling the outstanding issues with respect to OT will do much to convince hesitant investors that the GOM is able and willing to translate positive intentions into a welcoming and productive environment for investment.

1.2. 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.

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/.

1.3. Laws/Regulations of FDI

Mongolia's legal system

Mongolia is a multiparty parliamentary democracy. Its legal code is based on Continental and Russian law, though ongoing justice sector reforms draw heavily from the American legal system. Most jurists have received their legal education at Mongolian State University and private universities.

The 1992 constitution empowered a General Judicial Council to select all judges and protect their rights. The Supreme Court is the highest judicial body. Supreme Court justices are nominated by the GCC and confirmed by the president; the State Great Hural (Parliament) must be made aware of the nominations but cannot block them. Specialized civil and criminal courts exist at all levels and are subject to Supreme Court supervision. Administrative courts exist at the province and city levels only and are also subject to Supreme Court supervision. The Supreme Court is constitutionally empowered to examine all lower court decisions upon appeal and provide official interpretations on all laws except the constitution. Local authorities--district and city governors--ensure that these courts abide by presidential decrees and State Great Hural decisions. At the apex of the judicial system is the Tsets or Constitutional Court, which consists of nine members, appointed for 6-year terms, whose jurisdiction extends solely over the interpretation of the constitution.

Trial Procedures

The law provides for the right to a fair public trial by a judge, although human rights groups and NGOs alleged that this right has been undermined by frequent bribery and large caseloads. Juries are not used. Defendants are innocent until proven guilty and can question witnesses, present evidence, and appeal decisions. Defendants have the right to be informed of the charges against them (with interpretation as necessary); to a fair, public trial without undue delay; to communicate with an attorney of their choice (or one provided at public expense); to adequate time to prepare a defense; to access government-held evidence; and to appeal. Defendants cannot be compelled to testify or confess guilt. These rights were generally observed in practice, although Amnesty International and other NGOs reported evidence that authorities, at times, used physical coercion to obtain confessions from suspects.

Civil Judicial Procedures and Remedies

Administrative and judicial remedies are available for alleged wrongs. Reports indicate that corruption, outside influence, and lack of enforcement of court orders remain problems in the civil judicial system. Private enterprises have reported cases where courts pressured businesses to pay bribes in civil cases involving property and tax disputes. Although by law victims of police abuse can sue for damages, in practice few are able to claim compensation.

The 2013 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 1993 Foreign Investment Law of Mongolia (FILM), and the controversial 2012 Strategic Entities Foreign Investment Law (SEFIL), which most investors saw as being anti-foreign investment and one of the prime causes of the over 50% drop of FDI in the time between its passage and its revocation. Overall, the law sets down the legal rights and obligations of investors in Mongolia, stabilizes the tax environment, establishes the powers and responsibilities of the agency that will regulate 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 FILM and 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. 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. However investors claim the IL's level playing field has some regulatory bumps. In force for six months, the IL's implementation has already created concerns among foreign investors of unequal treatment. Specifically, the law increases the minimum capital requirements for foreign- invested companies in Mongolia, which have two or more foreign shareholders, by requiring that each foreign shareholder contribute US$ 100,000 if foreign investor(s) hold a 25% or more interest in the business entity, thus seeming to discriminate against foreign-invested firms.

Investment Sweeteners Include Tax and Non-Tax Incentives

A central feature of the law 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 most important criterion for tax stabilization is the amount of investment, determined by reference to specific sectors and the geographical area within which the investment is made.

The Invest Mongolia Agency

IL creates a new investment promotion agency, the Invest Mongolia Agency (IMA), under the Ministry of Economic Development to replace the Foreign Investment Regulation and Registration Department (FIRRD). Mandated to promote and regulate investment activities, the agency will issue tax stabilization certificates and monitor the activities of certificate holders but will have no role in registering companies or investors, a responsibility IL vests with the State Registration Office exclusively (SRO). To contact IMA go to www.investmongolia.com.

The Revised Securities Market Law of 2013

On May 24, 2013, the parliament of Mongolia amended the 2002 Securities Market Law with the Revised Securities Law of Mongolia (RSML), which entered into force on January 1, 2014. The

RSML establishes a legal framework for a Mongolian capital market generally in line with international standards and practices; enhances regulation of market participants; increases market transparency; protects investors' rights and interests; and expands state authority to regulate and monitor market activity. Unlike the law it replaces, the RSML explicitly vests the Financial Regulatory Commission of Mongolia (FRC) with primary authority to regulate and monitor the operations of the securities market.

Of key interest to market participants, the RSML defines and creates an enabling environment for a series of standard market practices employed in most equity markets but long absent from Mongolia. These include the ability to dual-list on the Mongolian Stock Exchange and non-Mongolian exchanges; offer depository receipts and custodial services; and conduct IPO's. The RSML adopts a post-payment system for purchasing securities, while the old law required immediate settlement for all purchases. RSML requires MSE share transactions be made within three business days of the trade, the so-called T+3 settlement method practiced globally.

Of particular importance, the RSML introduces the concepts of beneficial and nominal ownership of securities. The old law only required that a nominal holder of securities be listed, who could be any one whom the beneficial owner designated. Under the old law, it was nearly impossible to discover the real owner. RSML replaces the concept of nominal ownership with that of a nominal holder: A regulated, FRC-approved entity registered as the depositor/custodian of a given security, and who is not the beneficial owner of such a security. RSML then statutorily defines beneficial owner as the real owner of the security and requires public disclosure of said ownership.

Public Private Partnership/Concession Law

In 2010, parliament authorized tendered concessions for certain government functions and for public-private partnerships (PPPs) in a variety of areas. As of May 2014, 880 separate projects—ranging from key power projects to major rail expansions to a horse-race track—are listed as available for private entities to engage with the GOM to support social and economic development by ostensibly providing commercial incentives for participation. However, some investors have criticized the law as offering too few incentives, particularly the short period during which an operator might realize a profit before the GOM assumes ownership of the project. Until the GOM amends the law to address these unattractive features, investors will likely pass on Mongolia's PPP opportunities.

Investor Concerns over Travel Bans

Investors and local legal experts have regularly reported that Mongolian public and private entities can use administratively imposed travel bans to pressure foreign investors to settle civil 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 a decision. 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 has remained in Mongolia. The GOM does not impose similar travel bans for Mongolian citizens with pending civil disputes. Mongolian nationals are only denied exit from Mongolia if an actual arrest warrant has been issued.

Two Mongolian laws, the Criminal Procedure Law of Mongolia (CPL) and the Law on the Legal Status of Foreign Citizens (FCL), regulate the administrative imposition of travel bans on foreign citizens seeking to leave Mongolia. Under the CPL, if the State decides that that the suspect will flee, then a measure of restraint, such as a travel ban, may be imposed, but even with a travel ban the State may allow temporary travel. The competent authorities, usually but not exclusively law enforcement authorities, inform Mongolian Immigration that an individual is a suspect and therefore banned from departing Mongolia.

The Law on the Legal Status of Foreign Citizens (FCL) applies to any foreign citizen in Mongolia, and bans foreign citizens from exiting Mongolia if anyone (Mongolian or foreign) files a claim or complaint against the foreign citizen for violation of rights, freedoms or lawful interests, and the State authority considers the claim or complaint to have merit. To our knowledge, the competent authority in these cases has been primarily individual investigating police officers and prosecutors to whom the complainant applies. These investigators then apply to Immigration to impose a travel ban on the foreigner. To our knowledge, there is no formal requirement for independent or higher level review of such detainments. Foreign travel is banned until the claim or complaint is resolved; and, in this case, the burden of proof seems to fall squarely on the foreigner. In many of these cases, the complainant and the investigating officer are known to each other. There does not appear to be a mechanism to regulate apparent conflicts of interest.

1.4. Investment Trends: Oyu Tolgoi Commences Operations but Challenges Persist

In October 2009, the GOM, Ivanhoe Mines of Canada, and Rio Tinto 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% ownership of the project and TRQ with 66 %, and provide guarantees for local employment and procurement. With estimated development costs in excess of US $7 billion and a 40-year plus mine-life, OT is conservatively expected to double Mongolia's annual GDP by the time it reaches full production. In June 2013 production of copper concentrate and gold from the open pit portion of the mine commenced and has continued without interruption for almost a year.

Investors had hoped that commencement of operations and 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. However, throughout 2013 and likely through much of 2014, both Rio Tinto and the GOM have failed to reach agreement on key issues related to project costs, management fees, taxation, and water usage, among other issues. This mutual inability to reach agreement has effectively halted Phase II financing. For their parts senior representatives from both sides have provided explicit representations that they want the project to go forward and that they are seeking to finalize agreement on project financing as expeditiously as possible. However, statements of senior

Mongolian officials notwithstanding, GOM claims against OT, such as the June 2014 demand for $130 million USD in back taxes—which Rio Tinto disputes—raise the specter for investors that 2014 will see no progress at OT. Still, as of June 2014 both sides remain in talks to resolve the outstanding issues.

The domestic impact of failure to execute Phase II is that OT has trimmed over 2000 positions and the procurement that comes with moving to Phase II from its budget. For the GOM, this trimming represents a substantial reduction in revenue of between US $200 to US $300 million per year from the state budget for essential developments. For the people of Mongolia, these cuts mean that employees and contractors will not develop the skills needed to run OT and other mining developments, in addition the impact on vitally needed household income.

For foreign investors the delay to move to Phase II has equally dramatic significance. From its inception OT has embodied the investment prospects of Mongolia for investors. Positively, investors perceive that OT 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. This positive message for investors cannot be underestimated: OT is a barometer on foreign investment in Mongolia. The GOM's initial support for OT is largely considered responsible for spurring progress on other mining projects and for these projects' successful listing on foreign stock exchanges. Negatively, the dispute has raised doubts about the GOM's commitment to contract sanctity, has certainly become a factor in the downgrading of Mongolia's sovereign credit ratings, and has been blamed as a major factor in the severe drop in FDI since 2012.

1.5 Tables

TABLE 1: Mongolia's ranking as a Place to Do Business

Measure	**Year**	**Index or Rank**	**Website Address**
TI Corruption Perceptions index	2013	83 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2013	97 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	76 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	72 of 142	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	3,160 USD	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B: *Mongolia's MCC 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 2012 per capita gross national income (GNI) of $4,085 or less. For a list of countries/economies, including Mongolia's, with MCC scorecards go to: http://www.mcc.gov/pages/selection/scorecards. For MCC's indicators and a guide to the scorecards: http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf. For Mongolia's score: http://www.mcc.gov/documents/scorecards/score-fy14-english-mn-mongolia.pdf.

2. Conversion and Transfer Policies

2.1. 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. However, in response to occasional shortages, most often of U.S. dollars, commercial banks can impose temporary, daily limits on the amounts they will exchange, transmit abroad, or allow to be withdrawn.

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 the Mongolia's central bank, the Bank of Mongolia (BOM).

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.

Ease of transfer aside, foreign investors 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 the activity to take place. Letters of credit remain difficult to obtain; and the government has recently taken to paying 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.

Mongolia is currently in compliance with the Financial Action Task Force (FATF's) requirements for passing anti-money laundering legislation. The next steps involve implementation of FATF-related laws pass in February 2014. For an analysis of Mongolia's status: http://www.state.gov/j/inl/rls/nrcrpt/2013/database/211182.htm#Mongolia.

3. Expropriation and Compensation

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, Mongolia and the United States have agreed to international law standards for expropriation and compensation for expropriation. (BIT: http://www.state.gov/documents/organization/43579.pdf) In addition, both Mongolian law and the national constitution recognize private property rights and the rights associated with its use, and specifically bar the government from expropriating such assets. To date, the GOM has been accused of a single act of expropriation against an American entity.

Like most sovereigns, 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 but worry that the lack of clear lines of authority among the various levels—central, provincial, and municipal—could lead to a loss of property rights. For example, the 2006 Minerals Law, still current as of June 2014, 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 provinces, municipalities, 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 effectively suspends investors' access to property and licensed use rights for months and years. The central government acknowledges the problem but has taken no steps to resolve it.

National Security Concerns May Lead to Loss of Rights

In 2010, the President of Mongolia used his authority as head of the National Security Council of Mongolia (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. A constitutional crisis was only averted when Parliament imposed a moratorium on the issuance of the certain types of mineral licenses. At the end of 2012, parliament extended the moratorium indefinitely until the 2006 Minerals Law is amended, which may happen in 2014.

Consequently, since 2010, investors reportedly have faced limitations on claiming new land for exploration or converting exploration licenses into mining licenses, which effectively limits access to otherwise legally granted economic rights.

How the Amendment Process Affects Mineral Rights

Going into 2014, investors remain concerned over a legislative amendment process they claim halts or significantly delays the Mongolian regulatory process, and so, erodes rights granted under current law. For example, the ongoing amendment process to the 2006 Minerals Law has effectively stalled issuance of exploration and mining licensing. Since the President of Mongolia announced his concerns about the existing licensing regime in 2010, an amendment process for the entire law has been ongoing. This process, well into its fourth year, has produced numerous draft amendments between the government and Parliament. Although the 2006 Minerals Law remains in force, officials at all levels delay, or openly refuse to process, normal requests for extending or issuing exploration and mining licenses. They justify delay and refusal by stating that the amendment process renders the current law "effectively" invalid because any act may face post facto changes under a new statute. Overall, businesses suggest that the amendment process for mining and other laws has generated lengthy and costly bureaucratic delays for many commercial sectors, especially in mining.

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 hundred granted during the official's term, were improperly granted. Local legal experts have noted that Mongolian law and regulation do not allow criminal courts to render administrative decisions, which is the formal statutory province of the Administrative Court of Mongolia. In effect, investors have had their economic rights expropriated by judiciary acting outside its jurisdiction without any opportunity to appeal these losses to a proper authority.

4. Dispute Settlement

Investors believe that both government and judiciary inconsistently support transparent, equitable dispute settlement; and argue these inconsistencies stem from both a lack of experience with standard commercial practices and the opportunistic targeting of foreign investors by some public and private Mongolian entities.

4.1. Legal System

As currently constituted, legal experts and investors argue that Mongolia's judicial system can support dispute settlement; however, problems with dispute resolution can and do arise. First, commercial law and broad understanding of it remain in flux. Even after nearly a quarter century of reform, the passage of new laws and regulations on contracts, investment, corporate structures, leasing, banking, etc., remains vitally necessary. Generally, Mongolian civil law does not work from precedents but from application of the statute as written; and so, if a law is vague or does not cover a particular commercial activity, a judge's remit to adjudicate can be severely limited or non-existent. Further, because precedents are not legally binding on other judges and Mongolian courts, decisions reached in one case may have no legal force in others, even when the circumstances are similar or even before the same court and judges. In addition, many judges lack training in, or remain ignorant of, commercial principles, and some have appeared to willfully ignore what is considered sound practice elsewhere.

Based on what judges adjudicating contract disputes have said to investors or third party intermediaries it seems that the foreign identity of the plaintiff or defendant has incorrectly been taken into account in some cases. Arguments include: the foreign investor can afford the loss; the foreigner must be stealing from Mongolia in some way and so deserves to lose; or that Mongolian judges must support Mongolians or risk being accused of being unpatriotic.

4.2. Bankruptcy

Foreign investors and local banks argue that Mongolia's bankruptcy laws need comprehensive reform. While Mongolian law allows for mortgages and other debt instruments backed with securitized collateral, rudimentary systems for determining title and liens and for collecting on debts make lending on local security risky. Banks complain that onerous foreclosure rules are barely workable and unfair to creditors. Bankruptcy is an option on paper, but we can offer no example of a successful bankruptcy process. Indeed, local law firms state that the bankruptcy process is too vague, onerous, and time consuming to make it a practical step to end a business. 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. Nor does a system currently exist to register ownership of, and liens on, movable property. Consequently, lenders face the added risk of lending on collateral that debtors may not actually own or which may have already been pledged as security for another debt. Overall, the legal system does recognize the concept of collateralized assets as security for loans, investment capital, and other debt-based financial mechanisms. The legal system also provides for foreclosure, but only through the judicial rather than administrative proceedings. Waits of up to 36 months for final liquidations and settlement of security are not uncommon.

4.3. International Arbitration

4.4.1. ICSID Convention and New York Convention

The Mongolian government generally supports and has submitted to both binding arbitration and international settlement procedures, but glitches remain in local execution. 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. The government consistently declares it will honor resulting arbitral awards. 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.

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 State Court Enforcement Office (SCO) often resists executing collection orders and court-ordered foreclosures.

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.)

5. Performance Requirements and Incentives

5.1 WTO/TRIMS

There have been no reports that Mongolia employs measures inconsistent with World Trade Organization Trade Related Investment Measures (TRIMS) requirements, nor has anyone alleged Mongolia has violated TRIMS.

5.2 Investment Incentives

Under the current Tax Law of Mongolia, the GOM attempts to limit both exemptions and incentives and to make sure that tax preferences offered are available to both foreign and domestic investors. The GOM occasionally grants tax exemptions for imports of essential fuel and staple 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 will occasionally extend 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) and related amendments, foreign-invested companies properly registered and paying taxes in Mongolia are treated as domestic-Mongolian entities; and therefore, can qualify for investment incentive packages that, among other incentives, include tax stabilization for a period of years. (For detail on IL see Chapter 1.)

5.3 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. All Mongolian senior officials and politicians make in-country processing a consistent feature of their public and private policy statements regarding the development of mining. Although the GOM has not passed laws requiring local sourcing, government plans also call for increased investment in businesses and activities that keep the "value" of a resource in Mongolia. Consequently, companies should continue to expect the GOM to press aggressively for value-added production in Mongolia by companies registered in Mongolia.

Generally, foreign investors 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 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. Foreign investors 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 negotiates restrictions on the sort of financing 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.

Regarding employment, investors can locate and hire workers without using hiring agencies—as long as hiring practices follow Mongolian labor law. However, 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.

6. Right to Private Ownership and Establishment

Generally, unless otherwise forbidden by law, foreign and domestic businesses have been able to establish and engage in any form of business activity. Under the U.S.-Mongolia Bi-lateral 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. (For information on IL, go to Chapter 1.)

7. Protection of Property Rights

7.1 Real Property

Mongolia recognizes the right to own private property, movable and immovable. Regardless of nationality (except for land located exclusively in municipalities and which only Mongolian citizens can own), owners can generally do as they wish with their property. 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. 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 does protect creditors but needs reform. Courts recognize property rights in concept, but 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 1, 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 allows only 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 then distributes to creditors. However, foreign and domestic investors routinely claim that SCO regularly fails to execute these responsibilities.

In addition, rudimentary 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.

7.2 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), make a good faith effort to comply with these agreements. (See IPOM at http://www.ipom.mn/.)

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.

Problems stem from ignorance of the importance of intellectual property to Mongolia and of the obligations imposed by TRIPS on member states. Customs still hesitates to seize shipments, saying their statutory mandate bars them from seizing fake goods, but Mongolian statutory and constitutional laws clearly recognize that international treaty obligations in this area take precedence over local statutes and regulations. A clear legal basis exists for Customs to act, which has been recognized by elements of the Mongolian Judiciary, the Parliament, and the IPOM. Customs officers may occasionally seize fake products, but it seems that Mongolian customs law will have to be brought into formal compliance with TRIPS before Customs will routinely fulfill its obligations. The ECU has also hesitated to investigate and prosecute IPR cases, deferring to the IPOM.

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 in 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.

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
Country/Economy resources

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.

8. Legislative and Regulatory Transparency

System Lacks Transparency

Generally, lack of laws and regulations is not Mongolia's problem; rather, legislators and government officials lack knowledge on what foreign and domestic investors need from the state to invest securely. Compounding this ignorance, these same officials frequently decline to consult meaningfully with those affected by legislative and regulatory acts. Corruption aside, the fact that laws and regulations change with little consultation creates chaos for all parties.
On paper the Mongolian legislative and regulatory process appears transparent, but investors and other observers report a gap between the theory of transparency inherent in Mongolian law and the actual practices of officials and legislators.

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 should be regularly disseminated and how these respective organizations should respond to requests for information by citizens and legal entities residing in Mongolia. LIT requires state policies, some legislative acts, and administrative decisions to be posted on the appropriate government websites in understandable language for no less than 30 days for comment and review. Comments may be incorporated in proposals if deemed appropriate. In addition, government entities must post public hiring processes, concessions, procurement, and budget and finance information. LIT specifically exempts the armed forces, the border protection and internal troops, and intelligence organizations from its provisions. Ongoing citizen complaints and petitions are not subject to LIT's provisions; nor does the law apply to intellectual property information, corporate or business information, or personal information.

In response to 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. As with LML, the Cabinet decree does not specify a standard process for collecting and acting upon public comment and review.

In addition to LIT, the Law on Making Laws (LML) requires (or requests in the case of parliament) those who draft and submit laws to parliament—termed lawmakers in the LML—must subject their legislative acts to comment and review. Specifically, the President and the ministries must submit their legislative drafts for review and comment. Parliament, however, may solicit comment and review but is not required to do so. However, 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 comments and critiques of a given piece 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. Members of the public requesting information on the voting record of their representative are often told that such information is not publicly available.

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 Michael Froman and 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 Transparency Agreement 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.

Disappointingly, the TA remains unratified by the Mongolian parliament. U.S. and other foreign and domestic investors have explicitly stated that they see ratification of the TA as an unambiguous signal to businesses that Mongolia seeks to restore confidence in the statutory and regulatory processes affecting commerce and trade in Mongolia.

9. Efficient Capital Markets and Portfolio Investment

9.1 Money and Banking System

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. (For more on the RSML see Chapter 1.)

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 2013 and continuing through the first half of 2014, the BOM has embarked on a series of programs—a primarily a price stabilization program and a mortgage program—that have pumped trillions of Tugriks (MNT) into the economy leading to excessive liquidity, which the World Bank and the IMF say are among the leading, if not exclusive causes, for the 36% depreciation of MNT versus the U.S. dollar over the last two years, as well as gradual increasing in inflation from single digits through 2013 to currently 13%.

Banking Sector Concerns

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 naivety in the mid-90s, but over the last decade has become more sophisticated and somewhat better managed. As of February 2014, the combined assets of Mongolia's current 12 commercial banks add up to around US $11.5 billion. (For more details on Mongolia's banking sector, go to the Bank of Mongolia: 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 50% ($6.0 billion) 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 in an economy then hovering at 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 National Bank.

While the BOM and Mongolia's financial system have endured these chronic insolvencies, most observers note that each of these insolvent banks had shown clear signs of mismanagement, non-performing loans, and ill-liquidity for several years before the BOM moved to safeguard depositors and the financial sector. 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, the apparent lack of will and capacity of the regulator, the BOM, to supervise and execute mandated functions, particularly in regard to prudential capital reserve requirements, bank management and corporate governance, and increasing portfolios of non-performing loans.

Chapter 10: Competition from State-Owned Enterprises in the Mining & Energy and Automotive & Ground Transportation Sectors

10.1 OECD Guidelines on Corporate Governance of SOEs

Mongolia has State-owned Enterprises (SOEs) in, among other areas, 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 a shift toward a *smarter government;* however, the practical steps were still being developed as of the publication of this report. To our knowledge Mongolia does not encourage SOEs to adhere to OECD Corporate Governance Guidelines for SOEs: www.oecd.org/daf/ca/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm)

Corporate Governance of Mongolian SOEs

Until recently, the formally independent State Property Committee (SPC) controlled almost all Mongolian SOEs (excluding Oyu Tolgoi, Tavan Tolgoi, and uranium properties and railroads). However, the 2012 government re-organization saw the SPC become a department of the Ministry of Industry and Agriculture. The implications of this change for state management of its portfolio remain unclear, because of inter-ministerial infighting. In any case, when investing with Mongolian SOEs, investors are strongly advised to contact all relevant government entities to learn what their respective interests are and what administrative and management authority they actually have.

All SOEs are technically required to submit to the same international best practices on disclosure, accounting, and reporting as imposed on private companies. When the 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.

Competition from the State-Owned Sector

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 include the state-owned power and telecom industries, a state-owned airline, the state-owned rail system (half-owned by Russia), several coal mines, 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. are actively seeking 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 are set at commercial rates.

Regarding its railway sector, 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 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. Mongolia's rail policy and approach continue to be hotly debated in parliament. At the moment, the plan 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 international gauge used in China 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.

Some observers question the rationale and sequencing of government plans. In their collective opinion, the Chinese market, the largest and most lucrative, should be developed first, followed by (or parallel with) diversification strategies. They see few commercial and economic benefits from the current GOM approach.

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 and the newer 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. Many question the GOM's capacity to deal with conflicts of interest arising from its position as both regulator and owner-operator. Specifically, investors worry that the GOM's desire to maximize local procurement, employment, and revenues may comprise 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 MGL Tavan Tolgoi mining operation (EMTT), the GOM received a prepayment of US $250 million prepayment for coal from a Chinese state-owned entity. Rather than allowing EMTT 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. Throughout 2012, 2013, and it appears 2014, these and other GOM actions have left EMTT chronically insolvent, thereby crippling operational activities.

Consequently, 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 nothing more than 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 EMTT. 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 GOM required EMTT's two operating mining projects to follow the 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.

10.2 Sovereign Wealth Funds

Mongolia's Human Development Fund and Development Bank

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 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. At this point, the first tranche of sovereign debt, some U.S. $ 600 million, has been disbursed.

Mongolia passed its Fiscal Stability Law (FSL) in 2010 as part of its Stand-By Arrangement with the International Monetary Fund which ended on September 30, 2010. 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.

11. Corporate Social Responsibility (CSR)

11.1 OECD Guidelines for Multinational Enterprises

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 not statutory requirement for CSR actions. (Note: CSR is not statutorily required in the United States.)   However, the GOM encourages CSR actions, normally using the bully-pulpit to exhort companies to adopt CSR practices, echoing admonitions of local NGOs and international institutions. However, these exhortation are not consistent with the CSR principles set forth in the OECD Guidelines for Multinational Enterprises or the United Nations Guiding Principles on Business and Human Rights (OECD: http://mneguidelines.oecd.org/ncps/; for UN: http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf).

In October 2011, Mongolia's parliament passed the Revised Company Law of Mongolia (RCL). The law concentrates almost exclusively on corporate governance issues and defines new types of corporate structures and does not require companies to adopt CSR practices as part of governance practices. The key features of the Revised Company Law are to broaden the personal liability of governing persons; introduce administrative sanctions for non-compliance and stricter corporate governance rules; and redefine conflict of interest concepts and disclosure obligations. For more information of the RCL visit the Business Council of Mongolia: http://www.bcmongolia.org/en/laws-of-mongolia.

Chapter 12: Political Violence

Mongolia is both peaceful and stable; political violence is rare. Mongolia has held eleven successful elections presidential and parliamentary elections in the past 17 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 civil unrest has occurred since then. 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 resulted in a return of the incumbent to office. Mongolia has an ethnically homogenous population: 97% of the population is Khalkh Mongol. The largest minority, numbering an estimated 130,000 people, is Kazakh (Muslim), concentrated in the far western part of the country.

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 way by Mongolians for the benefit of Mongolians. This nationalist sentiment has not led to any known incidents of anti-Americanism or politically motivated damage to American projects or installations in at least the last decade. However, there has been a gradual and perceptible level of rising hostility to Chinese and 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—nationals resident in Mongolia. There have also been very isolated instances of physical violence directed at European foreigners in Mongolia, though these instances have been very rare and isolated ones.

13. Corruption

13.1 UN Convention Against Corruption, 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; Anti-Bribery Convention: www.oecd.org/daf/anti-bribery/countryreportsontheimplementationoftheoecdanti-briberyconvention.htm.)

Current Views on Mongolian Corruption

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.) 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 a 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. 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 Criminal Police Department, the State Investigation Agency (both under the National Police Agency), and the Special Investigative Unit under the Prosecutor General's Office also investigate various types of corruption cases as well as assist the IAAC. (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, an inadequate civil service system, 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, because all but two of 16 ministers are also members of parliament, seriously restricts the scope of corruption investigations more broadly. Corruption-related prosecutions, however, increased during 2013 year, including a number of high-level officials from across the political spectrum, although questions of political motivation remain.

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

Contact at Transparency International Mongolia

NAME: Tur-Od Lkhagvajav , Acting Executive Director

ADDRESS
Bayanzurkh District,
Mercy Corp Building
2nd Floor, Rooms #206, 207
Peace Avenue 24
Ulaanbaatar, Mongolia

TELEPHONE NUMBER
Telephone: +976 7015 4250
Fax: +976 7015 4250

EMAIL ADDRESS: naranzulb@yahoo.com

14. Bilateral Investment Agreements

14.1 Bilateral Taxation Treaties

(UNCTD: http://www.unctad.org/sections/dite_pcbb/docs/bits_mongolia.pdf)

Reporter	*Partner*	*Date of Signature*	*Entry in to force*
Mongolia	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

Although Mongolia and the United States have no bi-lateral tax or free-trade agreements, the two have signed and ratified a Bi-Lateral Investment Treaty. For a copy of the treaty go to http://2001-2009.state.gov/documents/organization/43579.pdf.

15. OPIC and Other Investment Insurance Programs

The U.S. government's Overseas Private Investment Corporation (OPIC: (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. The U.S. Export-Import Bank (EXIM: 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).

16. LABOR

The Mongolian labor pool is generally educated, young, and adaptable, but shortages exist in most professional categories requiring advanced degrees or vocational training. These shortages include all types of engineers and 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. The law does provide an escape hatch for employers. Should an employer seek 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, including related regulations and statutory instruments, entitles workers to form or join independent unions and professional organizations of their choosing without previous authorization or excessive requirements and protects the rights to strike and to collective bargaining. Nevertheless, some legal provisions restrict these rights for groups such as foreign workers, public servants, and workers without formal employment contracts. The law bars certain public servants from striking, 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.

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 were 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.)

Mongolian Ratified ILO conventions (**http://www.ilo.org**)

Convention	Ratification date	Status
C29 Forced Labor Convention, 1930	15:03:2005	ratified
C59 Minimum Age (Industry) Convention (Revised), 1937	03:06:1969	denounced on 16:12:2002
C87 Freedom of Association and Protection of the Right to Organize Convention, 1948	03:06:1969	ratified
C98 Right to Organize and Collective Bargaining Convention, 1949	03:06:1969	ratified
C100 Equal Remuneration , 1951	03:06:1969	ratified
C103 Maternity Protection Convention (Revised), 1952	03:06:1969	ratified
C105 Abolition of Forced Labor Convention, 1957	15:03:2005	ratified
C111 Discrimination (Employment and Occupation) Convention, 1958	03:06:1969	ratified
C122 Employment Policy Convention, 1964	24:11:1976	ratified
C123 Minimum Age (Underground Work) Convention, 1965	03:12:1981	ratified
C135 Workers' Representatives Convention, 1971	08:10:1996	ratified
C138 Minimum Age Convention, 1973	16:12:2002	ratified
C144 Tripartite Consultation (International Labor Standards) Convention, 1976	10:08:1998	ratified
C155 Occupational Safety and Health Convention, 1981	03:02:1998	ratified
C159 Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983	03:02:1998	ratified
C182 Worst Forms of Child Labor Convention, 1999	26:02:2001	Ratified

17. Foreign Trade Zones/Free Ports

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.

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 2014. 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. 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.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

The Invest Mongolia Agency (IMA), the successor to the Foreign Investment Registration and Review Department of the Ministry of Economic Development (IMA), collects and disseminates data for tracking foreign direct investment (FDI) in Mongolia, but the IMA's data has limitations. (Invest Mongolia Agency: www.investmongolia.com)

The most recent data has been collected under the recently passed Investment Law of Mongolia (IL). The law requires all foreign investors to turn in their certificates in calendar year 2014 for new certificates and may lead to different ways to account for FDI in Mongolia, according to the IMA. For example, the IMA has not clarified if the new statistics will reflect the cumulative investment from past years, or will allow the investors to reflect only the minimum amount of $100,000 USD required under the IL for foreign direct investors.

In addition many foreign firms provide IMA with incomplete data on their annual investment amounts. IMA's pre-2014 data registration regime requires companies to document business plans and total FDI for the coming year. IMA uses these reports to determine FDI for the year. However, concerns in the business community that IMA cannot secure proprietary and confidential business information means that many firms withhold data on their activities. Mongolia suffers from promised investment that does not materialize or which comes in at a lower level than originally stated. IMA does not update reports to account for these or other changes to investments during the year. Some investors claim certain jurisdictions as tax homes to minimize taxes, a fact not conveyed by IMA's data. Consequently, this data suggests that much of Mongolia's investment originates from such places as the British Virgin Islands, the

Netherlands, or Singapore, when, in fact, the investment comes from Canada, the United States, Australia or other jurisdictions.

Data not Available on Mongolian Investment Abroad

To our knowledge neither the IMA nor any other Mongolian agency tracks Mongolia's direct investment abroad.

TABLE(S) 1: Mongolian Investment Statistics (All statistics in Tables 1a to 1h are from the Invest Mongolia Agency: www.investmongolia.com)

A. TRADE TURNOVER (USD MLN.)

Year	Total Turnover	Percent comp.	Exports	Percent comp.	Imports	Percentage comp.	Balance
2000	**1,150**	**119%**	**536**	**118%**	**615**	**120%**	**-79**
2001	1,159	101.%	513	97%	638	104%	-116
2002	1,215	105%	524	101%	691	108%	-166
2003	1,417	117%	616	116%	801	116%	-185
2004	1,891	133%	870	141%	1,021	128%	-152
2005	2,249	119%	1,065	122%	1,184	116%	-120
2006	3,018	134%	1,529	144%	1,489	126%	39
2007	4,119	136%	1949	126%	2,170	146%	-221
2008	6,155	149%	2,539	130%	3,616	167%	-1077
2009	4,023	65%	1,885	74%	2,138	59%	-253
2010	6,109	152%	2,908	154%	3,200	150%	-292
2011	11,416	187%	4,817	166%	6,598	206%	-1781
2012	11,123	97%	4,385	91%	6,738	102%	-2353
2013	10,627	96%	4,273	97%	6,355	94%	-2,082

B. TOP 10 INVESTOR COUNTRIES (THOUSAND USD)

№	Country	%	Total	1990-2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013.10.31*
1	Netherlands	29.96	**4,225,310,12**	5,265,58	221,70	475,86	58,50	4,069,20	51,028,60	232,962,18	1,816,714,10	1,253,215,65	861,298.74
2	China	26.65	**3,757,607,62**	441,786,38	227,922,28	172,014,03	339,614,67	497,800,88	613,058,80	176,038,36	1,015,265,04	243,194,70	30,912.48
3	Luxemburg	8.17	**1,151,702,03**	2,911,70	1,809,30	10,00	3,118,917	195,80	1,012,65	25,589,47	476,652,07	634,384,11	6,018.01
4	UK Virgin Islands	7,87	**1,109,543.62**	48,394,23	5,033,92	6,111,67	35,449,00	6,157,89	19,305,18	101,986,27	610,933,11	274,331,09	1,841.28
5	Singapore	5,14	**724,855,27**	8,513,28	4,645,78	728,60	700,00	32,339,86	9,359,44	31,075,00	402,738,17	227,281,96	7,473.19
6	Canada	3,53	**498,056,74**	174,206,58	1,542,25	72,180,37	497,15	2,739,57	1,028,00	147,11,12	72,288,16	18,629,50	7,134.04
7	South Korea	2,69	**379,267,82**	85,180,14	19,004,49	16,434,78	22,991,38	41,765,41	31,673,98	38,763,43	54,972,59	54,025,32	14,456.29
8	USA	2,19	**308,230,57**	45,25,48	5,564,06	37,165,78	4,285,67	6,466,89	2,571,52	13,911,20	127,238,95	62,592,42	2,708.62
9	Russia	2,11	**297,674,26**	37,163,16	7,450,14	11,654,52	39,774,38	3,795,42	6,139,20	2,273,18	58,11,87	129,589,99	1,822.40
10	Australia	1,84	**260,026,89**	3,730,19	12,066,75	384,40	289,20	3,361,90	516,50	2,273,80	82,453,32	96,479,16	58,471.68

C. TOP 25 INVESTOR ENTITIES (FDI – 2010)

No	Entity	Equity	Foreign	Domestic	Sectors	Countries
1.	Oyutolgoi	***65,005,920***	*65,005,913*	-	Geological prospecting and exploration	Netherlands-Mongolia
2.	MD Securities	***43,603,000***	*43,500,000*	-	Trade and catering service	Virgin Islands (UK)
3.	MCS mining	***25,100,000***	*25,000,000*	-	Geological prospecting and exploration	Singapore
4.	HSBC	***10,000,000***	*9,990,000*	-	Others	South Korea
5.	Wagner Asia Leasing	***9,890,224***	*9,890,224*	-	Trade and catering service	USA
6.	Seoul Senior Tower	***7,840,000***	*7,140,000*	-	Health and beauty services	South Korea
7.	Khan Bank	***20,599,356***	*7,073,699*	*3,393,576*	Bank and financial services	USA-China /Hong Kong/-Japan-Mongolia
8.	Gyantbaylag	***7,000,000***	*7,000,000*	-	Geological prospecting and exploration	Virgin Islands (UK)
9.	Globalcom	***4,500,000***	*4,500,000*	-	Trade and catering service	Virgin Islands (UK)
10.	Louis Vuitton Mongolia LLC	***6,000,000***	*4,000,000*	-	Trade and catering service	France
11.	Credit Bank	***9,585,108***	*3,900,686*	-	Bank and financial services	Cyprus
12.	MCS Asia Pacific	***15,000,000***	*3,850,000*	*3,150,000*	Production of foods and beverages	Singapore-Mongolia
13.	Shangri-La Ulaanbaatar Hotel	***10,000,000***	*3,820,000*	-	Trade and catering service	Virgin Islands (UK)
14.	EAM Bayan-Ulgii	***3,548,107***	*3,538,107*	-	Geological prospecting and exploration	Canada
15.	Handy Soft Rich	***3,000,000***	*2,900,000*	-	Trade and catering service	South Korea
16.	Tethys Mining	***26,992,495***	*2,793,974*	-	Geological prospecting and exploration	Switzerland
17.	Big Mogul Coal and Energy	***4,627,722***	*2,776,633*	*1,851,089*	Geological prospecting and exploration	Luxemburg-Mongolia
18.	Hong Kong Sunkfa group Mongol	***1,600,000***	*1,600,000*	-	Transportation	China-China /Hong Kong/
19.	EAM Exploration	***1,511,710***	*1,501,710*	-	Geological prospecting and exploration	Canada
20.	Santanmores	***5,300,000***	*1,500,000*	-	Geological prospecting and exploration	South Korea

D. FDI by COUNTRY (THOUSAND USD)

№	**Country**	**%**	**Total**	**1990-2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012***	**2013.10.31***
1	Netherlands	29.96	**4,225,310,12**	5,265,58	221,70	475,86	58,50	4,069,20	51,028,60	232,962,18	1,816,714,10	1,253,215,65	861,298.74
2	China	26.65	**3,757,607,62**	441,786,38	227,922,28	172,014,03	339,614,67	497,800,88	613,058,80	176,038,36	1,015,265,04	243,194,70	30,912.48
3	Luxembur												6,018.01

	g	8.17	**1,151,702,03**	2,911,70	1,809,30	10,00	3,118,917	195,80	1,012,65	25,589,47	476,652,07	634,384,11	
4	UK Virgin Islands	7,87	**1,109,543.62**	48,394,23	5,033,92	6,111,67	35,449,00	6,157,89	19,305,18	101,986,27	610,933,11	274,331,09	1,841.28
5	Singapore	5,14	**724,855,27**	8,513,28	4,645,78	728,60	700,00	32,339,86	9,359,44	31,075,00	402,738,17	227,281,96	7,473.19
6	Canada	3,53	**498,056,74**	174,206,58	1,542,25	72,180,37	497,15	2,739,57	1,028,00	147,11,12	72,288,16	18,629,50	7,134.04
7	South Korea	2,69	**379,267,82**	85,180,14	19,004,49	16,434,78	22,991,38	41,765,41	31,673,98	38,763,43	54,972,59	54,025,32	14,456.29
8	USA	2,19	**308,230,57**	45,25,48	5,564,06	37,165,78	4,285,67	6,466,89	2,571,52	13,911,20	127,238,95	62,592,42	2,708.62
9	Russia	2,11	**297,674,26**	37,163,16	7,450,14	11,654,52	39,774,38	3,795,42	6,139,20	2,273,18	58,11,87	129,589,99	1,822.40
10	Australia	1,84	**260,026,89**	3,730,19	12,066,75	384,40	289,20	3,361,90	516,50	2,273,80	82,453,32	96,479,16	58,471.68
11	China /Hong Kong /	1,62	**228,549,21**	25,033,35	773,02	350,50	8,255,51	1,757,81	11,032,44	80,148,35	54,366,84	37,741,42	9,089.96
12	Japan	1,47	**207,138,50**	66,208,26	5,840,80	4,727,59	2,450,10	46,623,46	5,594,78	7,125,37	21,460,68	34,243,99	12,863.46
13	Bermuda	0,91	**129,007,85**	1,604,48	4,962,86		30,30	6,46		114,455,56	4,387,49	3,560,70	
14	Great Britain	0,83	**116,710,85**	25,813,22	6,347,90	9,013,47	2,429,00	6,057,76	972,15	693,07	17,910,90	46,773,38	700.00
15	Switzerland	0,73	**103,101,96**	5,732,89	2,563,50	6,676,45	366,52	90,00	22,190,40	3,850,22	37,161,16	17,239,55	7,231.27
16	Barbados	0,60	**84,759,63**	20,00	10,00						30,098,89	12,759,89	41,870.85
17	Cayman Islands	0,53	**74,152,33**	264,02		2,400,00		35,069,33	321,45	10,363,06	25,404,54	329,94	
18	Germany	0,44	**61,516,07**	10,369,80	370,20	1,386,27	817,49	580,01	13,281,00	932,64	26,631,80	5,683,70	1,463.16
19	France	0,35	**49,133,81**	326,99	35,00	66,30	12,550,00	170,08	2,376,34	4,499,79	15,050,66	13,375,83	682.82
20	Bulgaria	0,22	**31,099,98**	30,778,48		17,00	15,00	7,50		50,00	150,00	82,00	
21	Italy	0,19	**26,802,77**	8,265,85	5,219,43	44,90	37,50	856,97	340,00	448,00	4,482,74	6,861,29	246.10
22	Vietnam	0,19	**26,148,83**	505,80	321,67	20,448,54	674,73	1,270,11	442,00	780,00	519,70	431,00	845.29
23	China /Taiwan/	0,14	**20,096,05**	11,123,37	474,75	20,10	590,80	6,443,49	997,50	161,30	99,74	185,00	
24	Islands of Saint Kitts & Nevis	0,14	**19,908,25**	5,00			10,00		173,70	19,529,56	90,00	100,00	
25	Malaysia	0,14	**19,630,33**	4,529,19	2,993,00	711,60	60,75	5,340,69	445,12	331,50	2,882,37	1,909,25	426.86
26	Kazakhstan	0,13	**17,998,45**	551,76	35,30	31,30	11,522,22	214,57	1,515,00	418,00	1,195,19	1,986,12	529.00
27	The Bahamas	0,13	**17,641,94**	17,435,79		102,00				90,00	10,50	3,65	
28	Portugal	0,10	**13,506,00**	13,506,00									

29	Cyprus	0,09	**13,346,24**	244,08		10,00	7,091,52	71,00	190,00	4,001,05	100,00	89,87	1,548.72
30	Mauritius	0,07	**10,179,68**			12,00					9,950,91	216,77	
31	Ukraine	0,07	**9,281,12**	6,148,12	24,95	89,90	66,90	45,00	725,63	190,04	502,50	1,319,97	168.00
32	Czech Republic	0,07	**9,192,48**	4,145,87	24,00	52,22	80,61	2,015,04	80,00	436,00	457,47	1,587,67	313.60
33	Israel	0,06	**9,111,34**	8,094,91	10,00	20,00	23,70	15,00		193,07	754,66		
34	Turkey	0,06	**8,048,14**	1,910,27	80,00	32,00	114,30	338,60	514,50	379,00	2,259,35	1,861,46	558.66
35	India	0,06	**7,810,69**	334,00	10,00	128,00	4,925,00	690,00	1,155,00	285,69	75,00	67,50	140.00
36	New Zealand	0,05	**7,383,59**	2,489,20	1,139,60	60,00	225,95	1,706,28	580,00	100,00	759,58	249,00	74.00
37	Belgium	0,05	**6,784,92**	2,744,72		2,190,90	134,46	75,00	27,62	100,00	807,43	704,78	
38	Thailand	0,03	**4,787,10**	76,00				3,00	108,10	100,00	2,500,00		2,000.00
39	China /Macao/	0,04	4,461,00	4,461,00									
40	Spain	0,03	**3,721,42**	59,60		20,00	10,00				1,702,82	1,828,78	100.00
41	Lichtenstein	0,02	3,336,45	3,336,45									
42	British Man Island	0,02	**3,009,95**							200,00	839,97	1,969,98	
43	Austria	0,02	**2,941,08**	1,984,85	10,00	101,87	6,40	191,52		40,50		421,94	184.00
44	Poland	0,02	**2,790,65**	1,780,26	10,00	16,00	20,00	10,00	150,00	50,00	319,89	270,00	164.50
45	Lebanon	0,02	**2,589,94**	134,94		7,92					333,74	2,113,35	
46	Hungary	0,02	**2,435,00**	1,162,48	12,71	54,20	18,00		240,00	408,29	203,40	335,92	
47	Uzbekistan	0,01	**2,073,57**		3,20			100,00	756,10	845,00	269,28		100.00
48	Sweden	0,01	**2,030,22**	13,10	10,90		466,00	30,00	40,10	100,00		1,270.12	100.00
49	Philippines	0,01	**1,963,29**				4,90				90,00	1,868,39	
50	DPRK	0,01	**1,854,61**	1,162.61	66,50	22,75	50,00			100,00	159,42	100,00	193.33
51	Samoa	0,00	**200,00**									200,00	1,333.49
52	Panama	0,01	**1,457,15**	1,055,45	7,70				100,00	130,50	163,50		
53	Syria	0,01	**1,342,02**	285,89	5,10	15,00		105,00			1,021,03		
54	Slovakia	0,01	**1,372,06**	869,06		273,00	50,00					180,00	

55	British Guernsey Island	0,01	**1,267,61**								417,65	849,96	
56	Pakistan	0,01	**1,031,05**	698,95	15,00	6,00	21,10	80,00		110,00			100.00
57	Belize	0,01	**1,025,84**		13,00	175,88			85,00	102,00	199,99	349,97	100.00
58	Kyrgyzstan	0,01	**980,50**	469,50	1,00				120,00	60,00	80,00	190,00	60.00
59	United Arab Emirates	0,01	**953,47**								375,49	577,98	
60	Denmark	0,01	**872,27**	90,30							141,97	540,00	100.00
61	Belarus	0,01	**834,96**	27,00				56,00		186,06	314,90	250,00	0.90
62	Seychelles Islands	0,01	**813,00**				10,00	17,00		43,00	100,00	643,00	
63	Antigua & Barbuda	0,01	**729,86**	729,86									
64	Malta	0,005	**693,09**								252,09	441,00	
65	Bangladesh	0,005	**690,00**				10,00		105,00	100,00	200,00	100,00	175.00
66	Iran	0,005	**648,00**		18,00		2,00			233,00	100,00	200,00	95.00
67	Azerbaijan	0,004	**550,00**				20,00			190,00	140,00	100,00	100.00
68	Ireland	0,004	**533,23**	46,25	9,00		9,00		76,54	179,35	213,10		
69	Slovenia	0,004	**531,10**								230,99	300,11	
70	Mauritania	0,004	**510,00**					30,00	480,00				
71	Anguilla	0,003	**400,00**							200,00	200,00		
72	Norway	0,003	**387,68**	67,15	10,00	5,00	6,00	90,00		15,00	89,55	104,98	
73	Indonesia	0,002	**338,95**			20,00			84,00		215,95	19,00	
74	Gibraltar	0,002	**291,00**	176,00	15,00					100,00			
75	Yugoslavia	0,002	**285,07**	280,17	4,90								
76	Armenia	0,002	**270,05**	239,60	15,30	6,60		8,55					
77	Romania	0,001	**100,00**							100,00			100.00
78	Saudi Arabia	0,001	**198,30**	198,30									
79	Kuwait	0,001	**179,96**								179,96		
80	Estonia	0,001	**169,00**	17,00								102,00	50.00
81	Cambodia	0,001	**168,30**		153,30	15,00							
82	Croatia	0,001	**146,00**	146,00									
83	Finland	0,001	**141,53**	20,00	8,17	7,00		6,50			15,97	83,89	
84	Qatar	0,001	**40,00**					10,00	30,00			100,00	
85	Turkmenistan	0,001	**130,00**							30,00		100,00	
86	South Africa	0,001	**126,00**								126,00		
87	Iraq	0,001	**115,00**	15,00						100,00			
88	Nepal	0,001	**95,00**	5,00					30,00				60.00
89	Jordan	0,0005	**74,93**	21,60		3,33							50.00
90	Georgia												

		0,0005	**73,05**	18,05			5,00		50,00				
91	Argentina	0,0005	**55,00**						55,00				
92	Greece	0,0003	**49,00**	49,00									
93	Moldavia	0,0003	**41,50**	39,00			2,50						
94	Egypt	0,0002	**33,33**									33,33	
95	Turks and Caicos Islands	0,0002	**31,00**		3,10					27,90			
96	Tajikistan	0,0002	**30,00**	10,00	10,00	10,00							
97	Sri Lanka	0,0002	**28,00**					28,00					
98	British Indian Ocean territory	0,0002	**25,00**			25,00							
99	Liberia	0,0002	**20,50**	20,50									
100	Morocco	0,0001	**20,00**					20,00					
101	Honduras	0,0001	**19,50**	13,50	6,00								
102	Serbia Montenegro	0,0001	**15,00**	8,25	6,75								
103	Cameroon	0,0001	**12,00**	12,00									
104	Latvia	0,0001	**10,00**	10,00									
105	Marshall Islands	0,0001	**10,00**	10,00									
106	Myanmar	0,0001	**10,00**		10,00								
107	Outlying Islands	0,0001	**10,00**			10,00							
108	Saint Helena	0,0000	**6,00**		6,00								
109	Dominion of Melchizedek	0,0000	**5,61**	5,61									
110	Nigeria	0,0000	**5,00**	5,00									
111	Ethiopia	0,0000	**2,50**	2,50									
112	US Virgin Islands	0,0000	**2,00**		2,00								
	TOTAL	**100**	**14,101,138,77**	**1,120,894,91**	**316,839,28**	**366,545,59**	**499,962,11**	**708,922,55**	**801,158,33**	**1,025,995,88**	**4,986,034,12**	**3,198,731,30**	**1,076,054.71**

Note: *0.1.2012** - FDI figure as of Q4 of 2012 does not include Balance of payment by Central Bank of Mongolia. (The Bank defines the Balance of payment based on data from commercial banks). *0.2.* Data on imported goods purchased by foreign investment is not added to above statistics. (Customs General Administration) *0.3*. Investment of the ongoing investment projects is not added to the statistics.

E. FOREIGN INVESTED COMPANIES BY COUNTRY

№	Country	%	Total	1990 - 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013. 10.31
1	China	48,77	**6,225**	1,534	532	827	876	859	299	376	434	346	142
2	Korea	17.64	**2,251**	632	203	274	332	302	113	117	122	101	55
3	Russia	6.56	**837**	433	54	105	72	51	37	17	34	21	13
4	Japan	4,22	**539**	190	29	56	60	58	35	23	35	39	14
5	USA	2,35	**300**	98	19	28	27	44	11	14	36	15	8
6	UK Virgin Islands	2.02	**258**	27	9	12	26	17	23	37	67	38	2
7	Germany	1,59	**203**	102	10	18	13	13	8	7	9	16	7
8	Singapore	1,49	**203**	52	9	5	10	21	4	22	31	34	15
9	China /Hong Kong/	1,44	**184**	54	9	5	10	14	10	27	20	18	17
10	Vietnam	1,28	**163**	25	14	34	46	21	3	8	3	2	7
11	Great Britain	1,16	**148**	61	14	12	10	15	4	5	12	7	8
12	Canada	1,00	**128**	38	8	13	10	17	9	13	8	9	3
13	Australia	0.92	**117**	18	5	8	12	4	4	21	21	20	4
14	Czech Republic	0.63	**80**	40	3	7	8	4	1	4	2	6	5
15	Malaysia	0,55	**70**	17	8	9	3	11	5	7	3	5	2
16	Switzerland	0,53	**68**	25	2	3	4	3	3	1	4	20	3
17	Turkey	0.49	**62**	18	4	3	4	8	5	4	6	4	6
18	Ukraine	0,47	**60**	21	1	12	7	3	3	1	7	3	2
19	Kazakhstan	0,49	**62**	16	3	4	11	5	1	5	9	5	3
20	Netherlands	0.45	**58**	14	3	2	6	7	6	4	6	9	1
21	France	0,45	**58**	14	2	12	4	9	3	4	4	2	4
22	China /Taiwan/	0,42	**54**	33	1	3	6	7	2		1	1	
23	Italy	0,39	**50**	15	3	2	4	13	3	4	4		2
24	Pakistan	0,35	**45**	31	1	2	4	4		2			1
25	Poland	0,27	**35**	16	1	2	2	1	2	1	3	4	3
26	India	0,26	**33**	5	1	5	11	4	1	3	1	1	1
27	New Zealand	0.24	**30**	11	1	3	2	3	1	1	4	3	1
28	Luxemburg	0,24	**30**	2		1		2	1	5	8	9	2
29	Hungary	0,20	**25**	7	1	5	3		3	4		2	
30	Bulgaria	0,16	**21**	12		2	2	1		1	2	1	
31	Austria	0,17	**22**	7	1	2	2	6				1	3
32	Belgium	0,13	**17**	7		4	2	1		1		2	
32	DRPK	0,14	**18**	9	1	2	1			1	2	1	1
34	Israel	0,12		7	1	3	2	2					

			15										
35	Bermuda	0,10	**13**	8		3	2						
36	Spain	0,10	**13**	6		1					2	3	1
37	Uzbekistan	0,09	**12**		1			1	2	6	2		
38	Syria	0,09	**12**	10				2					
39	The Bahamas	0,09	**11**	8		2				1			
40	Antigua & Barbuda	0,09	**11**	11									
41	Belarus	0,08	**10**	2				1		3	1	3	
42	Cyprus	0,09	**11**				5	3	1		1		1
43	Iran	0,07	**9**		2					3	1	2	1
44	Kyrgyzstan	0,07	**9**	4					1	1	1	1	
45	Bangladesh	0.07	**9**				1		1	1	2	2	2
46	Sweden	0,06	**8**	2	1		1	2		1			1
47	Seychelles Islands	0.05	**7**				1	2			1	3	
48	Cayman Islands	0,06	**7**	2		3		1	1				
49	Slovakia	0,05	**7**	3		2	2						
50	Lebanon	0,05	**6**	3		1					1	1	
51	Norway	0,05	**6**	2	1	1	1					1	
52	Barbados	0.05	**6**	2	1						3		
53	Arab United Emirates	0.04	**5**								3	2	
54	Thailand	0,04	**5**	2					1	1	1		
55	Panama	0,04	**5**	3					1		1		
56	Denmark	0.03	**4**		1						2		1
57	Jordan	0,03	**4**	3									1
58	Estonia	0.04	**5**	1		1						2	1
59	Anguilla	0.03	**4**							2	2		
60	Ireland	0.03	**4**				1			1	2		
61	Gibraltar	0,03	**4**	1	2					1			
62	Liberia	0,03	**4**	1		3							
63	Yugoslavia	0,03	**4**	4									
64	Saudi Arabia	0,03	**4**	4									
65	Mauritius	0.03	**4**		1						2	1	
66	Azerbaijan	0.04	**5**				1			1	1	1	1
67	Saint Kits and Nevis	0.02	**3**	1						1		1	
68	Qatar	0,02	**3**					1	1			1	
69	Philippines	0,02	**3**				1				1	1	
70	Indonesia	0.02	**3**	1					1		1		
71	Belize	0,03	**4**		2					1			1
72	Mauritania	0,02	**3**					3					

73	Moldavia	0,02	**3**	2			1						
74	Turkmenistan	0,02	**2**							1		1	
75	South Africa	0,02	**2**								2		
76	Isle of Man	0,02	**2**							2			
77	Iraq	0,02	**2**	1						1			
78	Georgia	0,02	**2**		1				1				
79	Sri Lanka	0,02	**2**					2					
80	Armenia	0,02	**2**		1			1					
81	Tajikistan	0,02	**2**	1		1							
82	Ethiopia	0,02	**2**	1		1							
83	China /Macao/	0,02	**2**	2									
84	Samoa	0.01	**1**									1	
85	Egypt	0.01	**1**									1	
86	British Guernsey Island	0.01	**1**								1		
87	Kuwait	0.01	**1**								1		
88	Romania	0,02	**1**							1			1
89	Nepal	0,02	**1**						1				1
90	Argentina	0,01	**1**						1				
91	Finland	0,01	**1**					1					
92	Morocco	0,01	**1**					1					
93	Marshall Islands	0,01	**1**			1							
94	Myanmar	0,01	**1**		1								
95	Turks and Caicos Islands	0,01	**1**		1								
96	Cambodia	0,01	**1**		1								
97	Honduras	0,01	**1**		1								
98	Portugal	0,01	**1**	1									
99	Lichtenstein	0,01	**1**	1									
100	Croatia	0,01	**1**	1									
101	Greece	0,01	**1**	1									
102	Serbia Montenegro	0,01	**1**	1									
103	Cameroon	0,01	**1**	1									
104	Latvia	0,01	**1**	1									
105	Dominion of Melchizedek	0,01	**1**	1									
106	Nigeria	0,01	**1**	1									
	TOTAL	**100**	**12,764**	3,691	971	1,505	1,609	1,551	613	769	933	774	348

F. **FDI by SECTORS (THOUSAND USD)**

No	Sectors	%	Total	1990-2004	2005	2006	2007	2008	2009	2010	2011	2012*	2013.10.31 *
1	Mining, exploration, Petroleum	73.3	10,331,467.88	493,972.74	183,961.91	195,390.34	336,985.65	485,189.08	643,454.56	819,762.15	4,083,218.51	2,217,906.92	871,626.04
2	Trade, Catering services	17.0	2,397,779.62	162,764.31	53,376.62	103,388.43	111528.37	187,447.85	132,636.45	162,567.18	620,567.90	694,336.18	169,173.49
3	Others	3.4	484,205.62	92,880.36	52,884.35	47,739.57	13,882.50	6,875.86	3,510.34	14,012.70	207,216.65	38,728.09	6,475.19
4	Banking & financial services	1.4	201,162.15	67,105.46	9,671.09	11,982.63	21,936.52	4,495.96	3,219.31	12,979.58	24,893.87	17,753.36	17,753.36
5	Transport	1.3	176,695.37	20,951.90	933.33	24.60	657.15	174.13	2,406.20	2,892.00	7,374.49	135,062.51	6,219.07
6	Engineering services & construction material manufacturing	0.9	73,337.16	55,237.94	772.73	1,791.75	4,273.45	1,894.74	9,366.55	980.10	5,177.47	47,615.15	2,477.41
7	Light industry	0.8	108,372.57	85,001.91	1,792.13	1,454.22	1,205.34	18,208.00	92.82	153.76	99.24	365.17	
8	Processing: animal raw materials	0.4	57,20243	53,516.29	825.33	292.50	540.00	-	-	236.89	656.60	49.97	1,084.85
9	Tourism	0.4	53,656.36	13,028.04	1,490.23	1,637.36	486.70	1,365.63	491.34	371.40	22,458.16	12,458.16	175.35
10	Information & Communications Technology	0.3	45,966.40	19,623.03	6,267.60	480.86	6,916.70	1,442.57	1,252.80	125.00	8,971.86	502.37	383.60
11	Food manufacturing	0.3	47,999.76	15,297.57	303.96	1,424.37	710.00	100.50	298.08	3,850.00	4,586.98	21,428.30	
12	Culture, education & science products, printing	0.1	16,286.09	10,656.24	12.99	391.47	67.00		3,495.61	60.48	415.65	833.64	353.00
13	Agriculture, crop production, animal husbandry	0.1	15,908.75	9,305.76	2,787.10	362.60	208.43	1,242.38	504.15	403.36	554.00	431.12	109.86
14	Health & beauty products	0.1	14,607.29	4,011.72	56.30	5.25	395.00	101.00	430.12	7,492.00	905.55	1,074.84	135.50
15	Wooden Furniture manufacturing	0.0	5,994.23	5,400.63	22.00	14.15	81.30	335.06	-	33.60	12.48	45.00	50.00
16	Energy	0.0	5,515.80	5,415.32	100.48	-	-	-	-				
17	Public utilities services	0.0	2,841.29	2,474.73	33.19	162.50	-	49.80	-	83.07			38.00
18	Jewelry, souvenirs	0.0	2,648.18	1,224.43	1,353.75	-	70.00	-	-				
19	Electric appliance manufacturing	0.0	1,809.20	1,615.02	194.18	-	-	-	-				
20	Household items manufacturing	0.0	1,432.50	1,411.50	-	3.00	18.00	-	-				
	Total FDI	**100**	**14,101,138.77**	**1,120,894.91**	**316,839.28**	**366,545.59**	**499,962.11**	**708,922.55**	**801,158.33**	**1,025,995.12**	**4,986,034.12**	**3,198,731.30**	**1,076,054.71**

Note: *0.1.2012* , 2013.10.31** - FDI figures do not include Balance of payment by the Central Bank of Mongolia. (The Bank defines Balance of payment based on data from commercial banks). *0.2.* Data on imported goods purchased by foreign investment is not added to above statistics. (Customs General Administration) *0.3*. Investment of the ongoing investment projects is not added to the statistics.

G. **FOREIGN INVESTED COMPANIES by SECTORS**

No	Sectors	%	Total	1990-2004	2005	2006	2007	2008	2009	2010	2011	2012	2013.10.31
1	Trade, Catering services	68.9	8,796	969	522	1,112	1,505	1,515	572	731	872	689	309
2	Others	12.2	1,562	860	297	262	21	3	15	14	15	50	25
3	Mining, Geological exploration, Petroleum	3.3	415	272	27	22	23	4	*12*	14	22	19	
4	Engineering services and construction material manufacturing	3.1	396	327	15	14	20	4	6		1	4	5
5	Tourism	2.5	314	176	57	35	23	12	1	2	6		2
6	Light industry	1.5	190	167	7	14	1	1					
7	Food manufacturing	1.4	181	172	5	2							
8	Processing: animal raw materials	1.2	158	149	4	4							
9	Transport	1.0	132	101	7	3	1	1	2	3	9	3	2
10	Information & Communications Technology	0.8	108	72	7	11	7	6	2	1		2	
11	Agriculture, crop production, animal husbandry	0.8	108	86	8	5	1		1	1	4	1	1
12	Wooden Furniture manufacturing	0.6	78	71	2	4							1
13	Culture, education & science products, printing	0.5	67	60	1	3							
14	Banking & financial services	0.5	64	36	2	5	7	4	2	1	2	2	3
15	Health & beauty services	0.4	53	47	1	2		1		1	1		
16	Energy	0.3	44	39	4	1							
17	Public utilities services	0.3	40	36	2	2							
18	Electric appliance manufacturing	0.2	29	23	3	3							
19	Household items manufacturing	0.2	21	21									
20	Jewelry, souvenirs	0.1	8	7		1							
	Total number of foreign invested companies	**100**	**12,764**	**3,691**	**971**	**1,505**	**1,609**	**1,551**	**613**	**769**	**933**	**774**	**348**

H. REGISTERED FOREIGN DIRECT INVESTMENT IN MONGOLIA BY COUNTRIES – 2014

No	Country	%	Total number of companies	Investment
1	Australia	1.52	1	$100,000
2	Azerbaijan	1.52	1	$100,000
3	Belgium	1.52	1	$100,000
4	Canada	1.52	1	$100,000
5	Chile	1.52	1	$100,000
6	China	43.94	29	$3,734,923
7	Hong Kong (China)	9.09	6	$5,515,425
8	Japan	4.55	3	$396,078
9	Macao	1.52	1	$100,000
10	Russia	1.52	1	$200,000
11	Seychelles	1.52	1	$100.00
12	Singapore	1.52	1	$2,368,186
13	South Korea	19.70	13	$2,376,941
14	Turkey	4.55	3	$704,146
15	USA	1.52	1	$100,000
16	British Virgin Islands	3.03	2	$200,000
	Total FDI	**100**	**66**	**$16,300,699**

TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy

	Host Country Statistical source*		USG or international statistical source		USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012		2012	1027	http://www.worldbank.org/en/country
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 (*Millions U.S. Dollars, stock positions)*	2012	292	NA	NA	
Host country's FDI in the United States (*Millions U.S. Dollars, stock positions)*	NA	NA	NA	NA	
Total inbound stock of FDI as % host GDP					

Invest Mongolia Agency (www.investmongolia.com)

TABLE 3: Sources and Destination of for FDI to Mongolia 2012

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	13,458	100%	Total Outward	NA	NA
Netherlands	7,637	57%	NA	NA	Na
Singapore	1,424	11%			
United Kingdom	906	7%			
China, P.R.: Mainland	657	5%			
China, P.R.: Hong Kong	544	4%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: http://cdis.imf.org

TABLE 4: Sources of Portfolio Investment for Mongolia, 2012

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			**Equity Securities**			**Total Debt Securities**		
World	469	100%	World	468	100%	World	1	100%
China, P.R.: Hong Kong	404	86%	China, P.R.: Hong Kong	403	86%	Korea, Republic of	0.26	52%
Australia	28	6%	Australia	28	6%	Russian Federation	0.16	33%
United States	10	2%	United States	10	2%	China, P.R.: Hong Kong	0.06	12%
Canada	9	2%	Canada	9	2%	Japan	0.01	2%
Singapore	7	2%	Singapore	7	2%	Australia	0.01	1%

Source: http://cpis.imf.org/

Chapter 19: Contact at the U.S. Embassy in Ulaanbaatar to learn more

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- ADDRESS OF MISSION:

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  P.O. Box 341
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