



МОНГОЛ УЛСЫН
ГАДААД ХАРИЛЦААНЫ ЯАМ

MONGOLIA'S FOREIGN INVESTMENT POLICIES AND PERSPECTIVES

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KEY FIGURES

Population: 3.2 million

Territory: 1.565 km²

Economy (2016):

GDP: USD 11.7 billion

GDP per capita: USD 3,831

Growth rate: 1.0 %

growth rate: 5.3 % as of July, 2017

Trade turnover: USD 8.2 billion

Export: USD 4.9 billion

Import: USD 3.3 billion

Inflation: 1.1%

Unemployment: 9.1%



FOREIGN INVESTMENT LEGAL FRAMEWORK

- **Secured international and domestic legal framework**

- Seoul Convention on Establishing the Multilateral Investment Guarantee Agency
- Washington Convention on the Settlement of Investment Disputes
- Bilateral Investment Treaties (BIT) with **43** countries
- Double taxation treaties with **30** countries
- Mongolia-Japan Economic Partnership Agreement /FTA/
- Process of accession to APTA



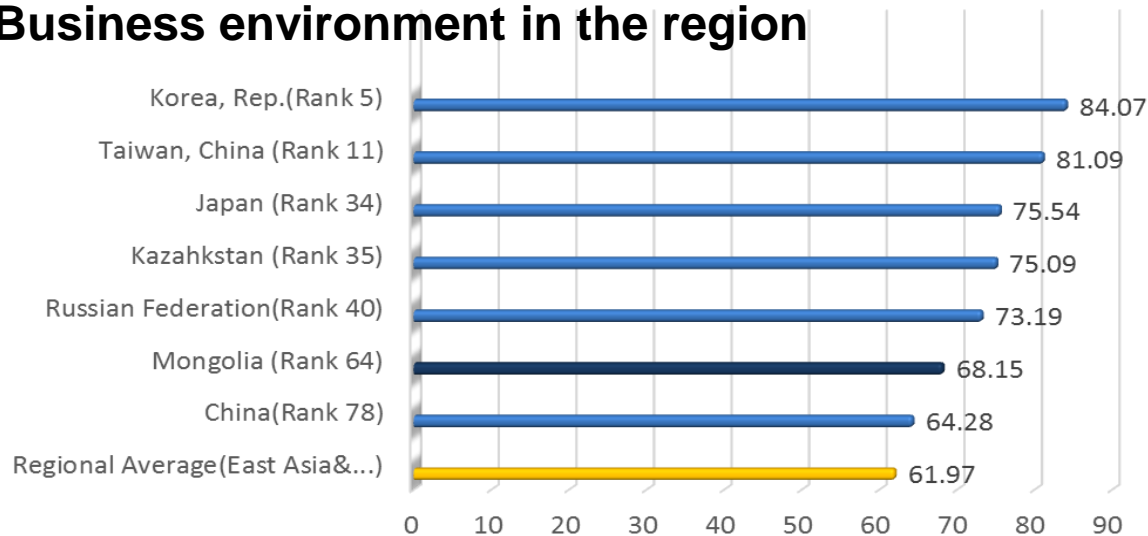
INVESTMENT ENVIRONMENT BY INTERNATIONAL INDEXES

Improvement of business environment

	2017	2016	changes
Ease of Doing business	64	62 out of 190	2
Starting business	36	32	4

Source: World bank, Doing business Mongolia 2017

Business environment in the region



Source: World bank, Doing business Mongolia 2017



FOREIGN DIRECT INVESTMENT OVERVIEW

- 13,000 foreign invested business entities from 112 countries have been registered in Mongolia between 1990-2016
- 15 billion USD FDI inflow to Mongolia between 1990-2016 (*in 2011 reached the peak of 4.7 billion USD*)
- The sectors that attract most foreign investment are geology, mineral exploration, mining, oil industry and trade and catering service sectors.
- Main investment partners are Netherlands, China, Luxembourg, UK, Singapore, Canada, Korea and the United States.
- FDI inflow decreased since 2012 due to worsened macroeconomic situation and certain policy missteps

CHALLENGES AND LESSONS LEARNT

Main causes of sharp decline in FDI

➤ **Economic slowdown**

- Decline in commodity prices due to global economic slowdown
- Slow progress in mega projects (Oyutolgoi, Tavantolgoi)

➤ **Weak and unstable investment environment**

- Policy missteps: (*Adoption of Law on the Regulation of Foreign Investment in Entities operating in Strategic Sectors in 2012*)
- Lack of continuity in medium to long-term planning including of attracting FDI strategy
- Lack of responsiveness to for investor concerns
- Excessive political interference into the market-economy



POLICIES AND ACTIONS ON INVESTMENT PROMOTION

- To **RESTORE INVESTORS' CONFIDENCE!**



create stable, predictable and more favorable environment;
protect investors' interest:

Amended "Foreign Investment Law" in 2013

- Foreign investors enjoy same investment opportunities and protections as domestic investors

- More stable tax environment (Tax stabilization certificate: Rates of Corporate income tax, Customs duty, VAT and Minerals royalties can be stabilized up to 18 years, may be extended to 27 years)

- Simplified registration process for setting up a business (length of time to open a business from entry to operation shortened by 30 days)

Amended "Minerals Law" in 2014, 2015



POLICIES AND ACTIONS ON INVESTMENT PROMOTION

Taken by the current Government

Acknowledge the crucial role of FDI in economic diversification

- Established National Development Agency (NDA) with functions:
 - Plan and develop main strategy of foreign investment policy
 - Conduct comprehensive activities to attract, protect and promote foreign direct investment into the country

- Investor Protection Council (IPC), established in Dec 2016, to improve investment climate and to protect investors' rights
 - Address grievances of investors (except the cases examined under court or arbitration), coordinate among the government agencies, enhance legal investment framework, promote favorable and sustainable investment climate
 - Convenes twice a month and receives complaints from investors (simple procedure for resolving claims and complaints
 - Plans to adopt a Regulation for Resolving Claims and Complaints Logged by Investors against State Administrative Bodies and Officials



POLICIES AND ACTIONS ON INVESTMENT PROMOTION

- Mapping out investment policy reform
 - Aim: to enable policy makers to define investment priority sectors with a clear vision, assess strength and weakness; facilitate the process grounding investment policy in a broad roadmap for economic growth and sustainable development

- Transparency Agreement (Mar, 2017)
 - Guarantees transparency in the formation of trade and investment related laws and regulations by allowing stakeholders to comment on drafted regulation prior to tabling in the parliament and cabinet.

- Foreign Investment Promotion and Protection Agreement with Canada (Sept, 2016)
 - sets out a framework of legally binding rights and obligations; help Canadian and Mongolian companies deepen commercial ties with confidence and spur job creation.

THE WAY FORWARD

➤ Promote diversification of the economy

- Promote agricultural sector and export of agricultural products (agriculture - 14% of GDP)
 - Meat export to Russia, China and Middle East countries (65 million livestock)
 - Attract investment in agro business and export eco products to China and other developed countries
- Attract investment on renewable energy
 - Asia Super Grid initiative
 - Wind and solar farm projects in Gobi desert
- Promote tourism
 - Invest in infrastructure development and service industry

THE WAY FORWARD

- Promote exports (Improve the market access to main trading partners , reduce tariff and non-tariff barriers)
 - Implementation of EPA with Japan
 - Joint study on possible FTAs with main trading partners (Eurasian Economic Union, RoK, PRC)
 - Start the implementation of PCA with EU

THE WAY FORWARD

- Facilitate transportation with neighboring countries, develop infrastructure
 - Implement **Mongolia-Russia-China trilateral “Economic corridor program”**, including 32 major projects (13 projects in infrastructure connectivity; 5 projects in border and customs management)
 - A trilateral mechanism to coordinate the implementation work is soon to establish
 - Establishment of a Center on projects’ financing and feasibility studies is under discussion
- Implement **MOU on Aligning “Development Road” and “Belt and Road” Initiatives**
 - Main areas: Policy coordination, trade and investment promotion, cooperation in energy, agriculture, infrastructure connectivity*
- Implement the **Agreement on the Access to and from the Sea and transit transport with China**
 - Access to 6 new ports in China, favorable conditions for Mongolian transit transport through Chinese territory
- Sign Agreement on Transit transport with Russia



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MINISTRY OF FOREIGN AFFAIRS
MONGOLIA

THANK YOU.