MONGOLIA’S FOREIGN INVESTMENT POLICIES AND PERSPECTIVES

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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
### Improvement of business environment

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<thead>
<tr>
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<th>2017</th>
<th>2016</th>
<th>changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of Doing business</td>
<td>64</td>
<td>62 out of 190</td>
<td>2</td>
</tr>
<tr>
<td>Starting business</td>
<td>36</td>
<td>32</td>
<td>4</td>
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**Business environment in the region**

Source: World bank, Doing business Mongolia 2017

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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

Source: 2005-2013 Invest Mongolia agency database
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 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 arbitrage), 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
THANK YOU.