## Table of Contents

**Doing Business in Mongolia:**
- Market Overview ................................................................................. 6
- Market Challenges ........................................................................... 8
- Market Opportunities ..................................................................... 9
- Market Entry Strategy .................................................................. 10

**Political Environment** ................................................................. 11
- Political Environment .................................................................. 11

**Selling U.S. Products & Services** .................................................. 12
- Using an Agent to Sell U.S. Products and Services ....................... 12
- Establishing an Office .................................................................. 12
- Franchising ................................................................................... 14
- Direct Marketing .......................................................................... 14
- Joint Ventures/Licensing ................................................................. 14
- Selling to the Government ............................................................... 15
- Distribution & Sales Channels ....................................................... 15
- Express Delivery .......................................................................... 16
- Selling Factors & Techniques .......................................................... 17
- eCommerce .................................................................................... 18
- Trade Promotion & Advertising ..................................................... 21
- Pricing .......................................................................................... 24
- Sales Service/Customer Support ................................................... 24
- Protecting Intellectual Property .................................................... 24
- Due Diligence ............................................................................... 25
- Local Professional Services .......................................................... 25
- Principle Business Associations .................................................... 26
- Limitations on Selling U.S. Products and Services ....................... 27
- Web Resources ............................................................................. 27

**Leading Sectors for U.S. Exports & Investments** ............................ 28
- Mining ........................................................................................ 28
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Sector</td>
<td>31</td>
</tr>
<tr>
<td>Construction</td>
<td>35</td>
</tr>
<tr>
<td>Energy Generation</td>
<td>39</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>43</td>
</tr>
<tr>
<td>Supply Chain/Logistics</td>
<td>47</td>
</tr>
<tr>
<td>Information Technology (IT)</td>
<td>51</td>
</tr>
<tr>
<td>Franchising</td>
<td>54</td>
</tr>
<tr>
<td><strong>Customs, Regulations &amp; Standards</strong></td>
<td>57</td>
</tr>
<tr>
<td>Trade Barriers</td>
<td>57</td>
</tr>
<tr>
<td>Import Tariffs</td>
<td>58</td>
</tr>
<tr>
<td>Import Requirements &amp; Documentation</td>
<td>59</td>
</tr>
<tr>
<td>Labeling/Marking Requirements</td>
<td>60</td>
</tr>
<tr>
<td>U.S. Export Controls</td>
<td>60</td>
</tr>
<tr>
<td>Temporary Entry</td>
<td>60</td>
</tr>
<tr>
<td>Prohibited &amp; Restricted Imports</td>
<td>61</td>
</tr>
<tr>
<td>Customs Regulations</td>
<td>62</td>
</tr>
<tr>
<td>Standards for Trade</td>
<td>62</td>
</tr>
<tr>
<td>Trade Agreements</td>
<td>66</td>
</tr>
<tr>
<td>Licensing Requirements for Professional Services</td>
<td>66</td>
</tr>
<tr>
<td>Web Resources</td>
<td>66</td>
</tr>
<tr>
<td><strong>Investment Climate Statement</strong></td>
<td>68</td>
</tr>
<tr>
<td>Executive Summary</td>
<td>68</td>
</tr>
<tr>
<td>Openness to and Restrictions upon Foreign Investment</td>
<td>70</td>
</tr>
<tr>
<td>Policies Towards Foreign Direct Investment</td>
<td>70</td>
</tr>
<tr>
<td>Limits on Foreign Control and Right to Private Ownership and Establishment</td>
<td>73</td>
</tr>
<tr>
<td>Other Investment Policy Reviews</td>
<td>73</td>
</tr>
<tr>
<td>Business Facilitation</td>
<td>74</td>
</tr>
<tr>
<td>Outward Investment</td>
<td>74</td>
</tr>
<tr>
<td><strong>Bilateral Investment Agreements and Taxation Treaties</strong></td>
<td>74</td>
</tr>
<tr>
<td><strong>Legal Regime</strong></td>
<td>75</td>
</tr>
<tr>
<td>Transparency of the Regulatory System</td>
<td>75</td>
</tr>
<tr>
<td>International Regulatory Considerations</td>
<td>78</td>
</tr>
<tr>
<td>Legal System and Judicial Independence</td>
<td>79</td>
</tr>
<tr>
<td>Laws and Regulations on Foreign Direct Investment</td>
<td>80</td>
</tr>
<tr>
<td>Competition and Anti-Trust Laws</td>
<td>82</td>
</tr>
</tbody>
</table>
Transportation .................................................................................................................. 116
Language .......................................................................................................................... 117
Health ............................................................................................................................... 117
Local Time, Business Hours and Holidays ................................................................. 118
Temporary Entry of Materials or Personal Belongings ............................................. 119
Travel-Related Web Resources ..................................................................................... 119

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DEPARTMENT OF STATE, 2017. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.
Doing Business in Mongolia:

Market Overview

The variation over time in the quantitative values of Mongolia's key economic indicators and trade statistics captures the dramatic difference between the country's decidedly positive medium-to-long-term prospects as an investment destination and its less rosy short-term prospects.

Over the past decade, Mongolia's GDP has increased by 223 percent ($3.41 billion in 2006 versus $11.03 billion in 2016), its GDP per capita has increased by 231 percent ($1,134 to $3,754), its poverty rate has dropped from 37 percent to 22 percent, and its inflation rate has dropped from an annual average of 23 percent to 3.4 percent in April 2017. The factors responsible for this impressive record — including tremendous mineral reserves, agricultural endowments, proximity to the vast Asia market, and an educated labor force — remain in place and bode well.

Since 2011, however, the numbers suggest a disconcerting trend. Foreign direct investment (FDI) into Mongolia has steadily decreased from a high of $4.7 billion in 2011, reaching only $218 million in 2016. (Note: The 2016 FDI figure excludes the offsetting transactions of the $4.3 billion proceeds of the Oyu Tolgoi mega copper/gold mine project financing composed of a drawdown of project financing loans and shareholder loan repayments. End note). GDP growth has similarly declined since 2011 (17.3 percent to 1.0 percent), the official unemployment rate has increased from 4.8 percent to 9.1 percent, and public sector debt as a percentage of GDP has ballooned from 33 percent to 93 percent over the period from 2011 to 2016. Although some factors responsible for this steep downturn are beyond Mongolia's control (global commodity prices, China's economic slowdown), others were self-imposed (FDI-discouraging legislation, capricious corporate tax levies, prosecutions of dubious merit of foreign business executives).

Against this backdrop, the new majority government, elected in June 2016, has taken some encouraging steps. First, the U.S.-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, or Transparency Agreement, went into effect on March 20, 2017. Warmly welcomed by U.S. and foreign investors alike, it will establish clear
processes for drafting and commenting on new legislation and regulations and require strict transparency related to laws involving trade and investment.

Second, in May 2017 the International Monetary Fund (IMF) approved an agreement with the Mongolian government on a comprehensive $5.5 billion relief package that will not only begin addressing Mongolia’s large public debt, but also bring with it necessary discipline and budget reforms, as well as an in-depth review of banking assets. The IMF-led agreement has enabled the government to refinance international bonds that came due in March 2017, a more attractive and politically palatable alternative to relying exclusively on Chinese financing. While the IMF program’s budget tightening will initially dampen economic growth, the government has committed to reform its fiscal and borrowing practices, improve its banking sector, and complete long-delayed regulatory reforms that should put it on a path toward long-term, sustainable economic growth.

China and Russia, Mongolia’s only contiguous neighbors, dominate the Mongolian market. More than 90 percent of Mongolian exports are shipped to or through China; Russia provides 90 percent of Mongolia’s refined petroleum products and 20 percent of its electrical power.

Mongolia exported $4.05 billion in goods and services in 2016 ($4.03 billion in 2015) and imported $3.45 billion ($3.87 billion in 2015). U.S. companies exported $55.6 million in goods and services to Mongolia in 2016 ($69.2 million in 2015) and imported $11.2 million ($17.3 million in 2015). Accordingly, the U.S. share of total Mongolian trade amounts to slightly more than one percent of all Mongolian imports.

Top Five Reasons Why U.S. Companies Should Consider Exporting to Mongolia:

1. Proximity to regional markets with three billion consumers.
2. A pro-western government actively seeking to diversify its economy.
3. No onerous restrictions on repatriating profits and other funds.
4. Relative ease of establishing a business.
5. An educated and trainable work force.
Market Challenges

Weak Courts: Ostensibly independent, Mongolia’s judiciary is weak and compromised. Foreign litigants in civil or criminal legal disputes perceive themselves disadvantaged before Mongolian courts. The government’s 2016 settlement of a large international arbitration award and 2017 comprehensive reforms to Mongolia’s Arbitration Law suggest that alternative dispute resolution may yet become a viable alternative to Mongolia’s problematic courts, but it as yet an untested remedy.

Vague Laws: Mongolian law, especially Mongolian business law, is riddled with imprecision. Mongolia’s lack of transparent and effective rule-making processes means that vagueness in law is not mitigated by application of more precise regulations. This legal and administrative vagueness invites inconsistency of rulings at best and corruption at worst.

Corruption: Mongolia has comprehensive laws against corruption, but the government does not always implement them effectively. Factors contributing to corruption include conflicts of interest, lack of transparency, incomplete access to information, an inadequate civil service system, and weak government control of key institutions. The Mongolian Parliament approved a National Action Plan to Combat Corruption in November 2016, and the Independent Authority Against Corruption is currently implementing the plan.

SMEs Need Help: SMEs generally do not qualify for government subsidies aimed at facilitating home ownership and ensuring adequate supplies of basic commodities. The banks are generally profitable, but the easy money derived from holding government bonds and a worrisome rise in loan non-performance rates combine to leave the banks with little incentive to lend to SMEs. SMEs will profit as the banks are strengthened following the IMF agreement-mandated comprehensive bank asset quality review, and the economy expands and diversifies. However, most experts expect it to require another 18 months to two years before SMEs achieve significantly better access to credit.

Inadequate Infrastructure: Mongolia produces electricity almost exclusively from Soviet-era coal-fired power plants well past their useful lifespans and has yet to fully exploit its vast untapped coal reserves. At the same time, Russia actively obstructs Mongolian efforts to tap its vast hydro-electric potential. Although Mongolia has created thousands of kilometers of paved roads in recent years, most are no match for the country's brutal winters and
maintenance is minimal. The ageing Trans-Mongolia Railroad, a spur of the Trans-Siberian Railroad, is owned in equal parts by the governments of Mongolia and Russia, with neither country willing to invest in substantial improvements to expand the existing network.

**Market Opportunities**

**Mining Just Scratching the Surface:** Over 6,000 deposits of approximately 80 minerals have been mapped in Mongolia—among them gold, copper, coal, uranium, rare earth oxides, iron ore, oil, tungsten, molybdenum, and fluorspar. Much of Mongolia’s land mass has yet to be surveyed for deposits. Contiguous China provides a ready market for Mongolia’s mineral wealth. Mongolia hopes to fully implement a transit agreement with China affording Mongolia preferred access to onward-shipping facilities. Obstacles to full realization of the Oyu Tolgoi copper/gold mega-mine having been overcome, hundreds of procurement opportunities to supply Oyu Tolgoi are becoming available.

**Agriculture Value-Added:** Still the backbone of the Mongolian economy, the agriculture sector sorely needs modernization to meet international processing standards and qualify Mongolian meat and other agricultural products for export.

**Infrastructure Build-Out:** Mongolia will open a new cargo-focused international airport in Ulaanbaatar in 2018 aimed at establishing a regional transit and logistics hub. The massive investment needed to create conventional (along with coal gasification and liquefaction) and renewable (hydro, wind, solar) electric power plants in Mongolia would prove warranted should plans to build out a Northeast Asia regional super grid come to fruition. Periodic discussion of new railroads from Gobi Desert copper, gold, and coal mines to Chinese markets has not led to construction due to slowed commodities markets, lack of available capital, and disagreement over ownership. A sustained rebound in commodity prices could spur new efforts. Some Mongolian business and political leaders believe the combined copper output of the Oyu Tolgoi and Erdenet mines would eventually warrant construction of a smelter to enhance the value and lower the shipping costs of copper exports, although China, with a surplus of smelters, is cool to the idea.
Other sectors of a diversifying Mongolian economy with significant potential for growth include: renewable energy and green technologies; franchising; logistics; and internet technologies, with a focus on cyber security.

**Market Entry Strategy**

**Personal Relationships are Critical:** Mongolians like to deal with family and friends. Exporters, importers, and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships among their Mongolian agents or distributors and buyers and end-users. A web of strong personal relationships can smooth business in Mongolia.

**Use of Agents:** A foreign entity entering the Mongolian market should use formally or informally appointed agents to guide them through the ins and outs of local customs and business practices.
Political Environment

For background information on the political and economic environment of Mongolia, please see the U.S. Department of State Background Notes; or contact the Commercial Section at the U.S. Embassy in Ulaanbaatar (Ulaanbaatar-Econ-Comm@state.gov).
Selling U.S. Products & Services

Using an Agent to Sell U.S. Products and Services

The formal appointment of an agent or distributor is not legally required for a foreign entity to enter the Mongolian market, though use of an agent or distributor is advisable as are frequent visits. Mongolia’s population of three million generally dictates that agent and distributor contracts involving foreign business entities be non-exclusive; care should be taken by foreign investors when contracting with a given agent or distributor to learn whether that agent or distributor represents or may come to represent competing foreign or domestic companies. The U.S. Embassy in Ulaanbaatar can help U.S. exporters find appropriate sales agents and distributors.

Establishing an Office

The 2013 Investment Law (IL) of Mongolia authorizes foreign and domestic investors to establish business entities alone or jointly with other investors under the same legal and regulatory system, except for two rules imposed exclusively on foreign investors. The IL and its body of regulations require: (1) a “foreign state-owned legal entity” may hold a 33 percent or more equity stake in a legal entity of Mongolia in certain sectors (mining; banking and finance; and media and communications) only with permission of the Government of Mongolia; and (2) when foreign direct investment accounts for 25 percent or more of the equity of a Mongolian business, each involved foreign investor having invested $100,000 or more must individually register with Mongolian authorities.

All domestic and foreign enterprises must register with the General Authority for Intellectual Property and State Registration (GAIPSR). Registrants can obtain form UB 03-II and other required documents from the website and submit completed documents by email. GAIPSR aims for a two-day turnaround for the review and approval process, but investors report that complex cases can take anywhere from several weeks to three months. Once approved by GAIPSR, a company registers with the General Tax Authority of Mongolia (GTA). Upon hiring its first employees, a company next registers with the General Authority for Social Insurance (ASI). GAIPSR reports that notarization is not required for its registration process.
The following fees for establishing a business office in Mongolia are payable to GAIPSR:

- Opening of branch, representative office and unit - 1,100,000 Tg ($450)
- Establishing foreign invested entity - 750,000 Tg ($310)
- Registering changes in contracts and by-laws of branches, representative offices and units - 35,000 Tg ($14.50)
- New ID - 20,000 Tg ($8)

**Registering with General Tax Authority**

To become a legal entity in Mongolia, market entrants must register with the **General Tax Authority of Mongolia (GTA)**. The GTA requires a $10 filing fee and the following documents:

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

Applicants may need additional documents or to pay additional fees on a case-by-case basis.

District or aimag (provincial) tax offices will be informed about the registration of a market-entrant with the GTA. The new entity must register with the aimag tax office within 14 days of the GTA registration.
Registering with the General Authority for Social Insurance

Market entrants must register with the Social Insurance office of the respective district or aimag and get a social insurance certificate. The entity must provide a copy of its state registration certificate along with the original certificate.

Franchising

U.S. investors should review Mongolia’s 2013 Investment Law and current Civil Code before establishing a franchise operation in Mongolia. Article 5.1.5 of the Investment Law authorizes franchising operations in Mongolia under the same terms extended to any other investment. Chapter 29, Articles 333-338, of the the Civil Code details the statutory treatment of a franchise contract under Mongolian law.

U.S. franchisors considering the Mongolian market should investigate steps to protect their brand and image. Before moving into the market, companies should consult with appropriate counsel regarding trademark registration or other concerns regarding intellectual property rights. Franchisors can find information on Mongolian intellectual property rights statutes and regulations at the General Agency for Intellectual Property and State Registration (GAIPSR).

Direct Marketing

While individual firms may send employees to post bills, place sales literature under doors, or send text messages to cellular service customers advertising new products, Mongolia lacks a coherent system of direct marketing. In-house experience at advertising firms is evolving and there is now some limited specialized expertise available for hire.

Joint Ventures/Licensing

The 2013 Investment Law of Mongolia does not require foreign investors to have a Mongolian joint venture partner. Businesses may be 100 percent foreign-owned and operated.
Selling to the Government

Mongolia has brought its procurement process in line with World Bank procurement rules and its World Trade Organization obligations. However, oversight of the process remains weak and inconsistent leading to irregularities in practice. Mongolia has been an observer to the WTO Convention on Government Procurement since 1999 but is not a party to it.

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the “Project Financing” section in “Trade and Project Financing” for more information.

Distribution & Sales Channels

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

To/from China:

- Zamiin-Uud, Dornogobi province, along a spur of the Trans-Siberian Railroad and a north-south road terminating at Mongolia’s south-eastern border with China.
- Bichigt, Sukhbaatar province, along Mongolia’s south-eastern border with China.
- Yarant, along Mongolia’s south-western border with China.
- Gashiinsukhait, Omnogobi province, along Mongolia’s south-central border with China.
- Shivee Khuren, Omnogobi province, along Mongolia’s south-central border with China.

To/from Russia:

- Sukhbaatar City, Selenge province, along a spur of the Trans-Siberian Railroad at Mongolia’s north-central border with Russia.
- Tsagaannuur, Bayan-Olgii province, along Mongolia’s north-western border with Russia.
- Ereentsav, Dornod province, along Mongolia’s north-eastern border with Russia.
Zamiin-Uud is the most important of the six ports of entry, and through it passes most of Mongolia’s imports and exports, as well as many key Russian commodities—including petroleum products, wood, and copper—bound for the Chinese market.

Products enter and leave Zamiin-Uud or Sukhbaatar by rail, truck, or car. Products leaving Mongolia by rail are usually inspected by the Mongolian Customs Authority at bonded warehouses in Ulaanbaatar before being sent south or north. Products entering Mongolia by rail are usually routed unopened to customs inspection facilities in Ulaanbaatar. From Ulaanbaatar, products are distributed throughout the country. Increasingly, heavy equipment bound for Gobi mining sites clears customs in Zamiin-Uud, Sainshand, Shivee Khuren, or Gashuunsukhait border crossings for more direct shipment to the southern Mongolian mine sites.

Products entering Mongolia by truck or auto are inspected at border crossing points. In most cases, these are small traders bringing in limited quantities of food and dry goods for direct sale in rural Mongolia. Products bound for sale in Ulaanbaatar and in other Mongolian cities are trucked from customs facilities to wholesale and retail outlets dispersed through the cities. Distribution of products to rural Mongolia is usually accomplished by small- and medium-size retailers who travel to urban centers in the Mongolian countryside by rented truck or auto. They purchase goods at local wholesale venues, transport them back to their rural retail outlets, and pass the additional costs to their customers.

Limited access to cold chain facilities, foreign phytosanitary restrictions, inadequate veterinary disease controls, and infrastructure bottlenecks at ports of entry and along transit routes hinder distribution of perishable food, livestock and agricultural products within Mongolia and across its borders.

**Express Delivery**

The national postal service, *Mongol Post*, offers express postal service with 36 countries 2-5 times per week.

Other well-known express delivery services operating in Mongolia are:
**Selling Factors & Techniques**

Personal relationships are essential. Exporters, importers, and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. U.S. exporters should encourage strong personal relationships among their Mongolian agents or distributors and buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.

Initial contacts with some Mongolians can be in English, but having an interpreter at the start of any relationship always helps. Mongolians look for cues of serious intent by how much effort—time and material—a foreign investor puts into the early phases of the business relationship.

It is a mistake to view Mongolians through the prism of their neighbors. That is, thinking that Mongolians are like the Chinese, Russians, or Koreans is to misunderstand them. While Mongolia has historical and cultural ties with its neighbors, Mongolians are conscious and proud of their unique history and the democratic progress of their country over the last 26 years. They become particularly offended if confused with Chinese and resent being compared to other developing countries with similar commodity-dependent economies.

Promotional materials can be in English, but if possible, prepare a basic information sheet or packet in Mongolian.

Investors should adhere to sound business and ethical principles. Some Mongolians say that Mongolian customs preclude best commercial practices and that an attractive deal would go through if one ignores these practices. Investors should nevertheless insist on international
best practices. Investors who do so will earn the respect of Mongolians and protect their investment.

**eCommerce**

**Overview**

Mongolia’s eco-system for eCommerce has remarkably improved over the last two years. Mongolia has a relatively good infrastructure for eCommerce centered in the capital city of Ulaanbaatar. Out of a population of three million, 2.6 million have Internet access, two million use smart phones, 1.3 million regularly use Facebook and Twitter (Communication Regulatory Commission). However, barriers to domestic eCommerce remain, including a lack of trust between buyer and seller, lack of logistics infrastructure to deliver products cost effectively, poor Mongolian-language search engines to locate products, and inconsistent and unclear government regulation affecting delivery, payment, and taxation of eCommerce transactions.

**Current Market Trends**

Established in 2016, the E-Business Development Center (EDC) registers e-businesses and e-deals, ranks e-businesses based on their security and capacity, provides business and legal advocacy, expands cooperation of e-businesses, and develops draft laws for e-commerce. EDC reports that an estimated two million Mongolians regularly shop online accessing both domestic-based shopping platforms (of which there are currently ten) and foreign eCommerce outlets such as Amazon or Alibaba. Facebook has become one of the most popular local platforms for eCommerce, with over 50,000 transactions daily. The 18-35 year-old demographic comprises 70 percent of active Mongolian Facebook users (Communication Regulatory Commission).

**Domestic eCommerce (B2C)**

EDC estimates that 25 percent of all Mongolian consumers shop online. Although EDC cannot yet calculate the total revenue from these sales, it reports that 70 percent of these consumers use online banking applications, with the remainder using debit or credit cards.
Cross-Border eCommerce

Online trade between businesses and consumers (B2C), business to business (B2B) or between two private persons (C2C), via such marketplace platforms as Amazon, eBay, Alibaba, and other platforms, is increasing but figures are not available to determine the extent.

B2B eCommerce

EDC reports that more and more Mongolian companies realize the benefit of launching online shopping platforms to access customers 24/7. IT start-up companies offer digital commerce platform software, some imported and some domestic. While local companies express interest in using B2B and B2C services, they require a great deal of education to understand the value of the service and how to properly use the platforms.

eCommerce Services

Relatively small and new, Mongolian eCommerce businesses have shied away from expensive customized eCommerce approaches, opting for “out of the box” solutions using existing platforms (Facebook dominates) and cloud-hosted software and data services.

eCommerce Intellectual Property Rights

The General Authority for Intellectual Property and State Registration (GAIPSR) is aware that eCommerce platforms, especially those based in China, sell pirated goods that violate intellectual property (IP) rights laws and international agreements. However, GAIPSR has not yet examined the extent of eCommerce-related piracy in Mongolia and has not developed a policy to deal with the problem. At this point, GAIPSR has not decided if it needs to amend existing statutes to deal with eCommerce intellectual property rights violations.

Popular eCommerce Sites

Sales Force LLC: Developed in 2012 to assist mega-mining project Oyu Tolgoi with processing procurement inquiries

APM LLC: Facilitates B2C connections between 50 shops selling 25,000 products to 110,000 registered customers
MEC Partners LLC: Allows Mongolian customers to shop online from Mongolian and foreign suppliers of apparel, fast-moving consumer goods, and food items

Slide Ltd: Operates UBShop.mn selling new and used apparel, food items, electronics, auto parts, new and used cars, and real estate

Monos Group: Operates site selling pharmaceuticals, supplements, vitamins, healthy food, cosmetics, medical devices, maternal and infant items, and books

Happy Home: Allows owners of commercial and residential properties to reach potential buyers

Online Payment

Mongolian commercial banks offer a wide range of online payment options: internet banking, mobile payment, and smart phone banking systems such as Candy, GG, Most Money, Amar, Moby Express, and ZPay.

Four banks in Mongolia have introduced online payment systems: Golomt; Khan Bank; Trade and Development Bank; and XacBank. Mongolia has yet to develop and implement a merchant-based payment system.

Mobile eCommerce

EDC notes that while most customers shop from PCs, use of smartphones and other mobile devices for purchases is increasing.

Digital Marketing

Digital marketing is in its infancy in Mongolia, and there are no dedicated Mongolian digital marketers, although advertisers do avail themselves of this medium. Marketers routinely use cellular service SMS platforms to advertise goods and services, and post ads on Mongolian and foreign language websites. Twitter and Facebook are popular venues for marketing.

Major Buying Holidays

Usually occurring in January or February, Mongolia’s Lunar New Year, Tsagaan Sar, is the largest shopping holiday for Mongolians. Mongolia’s National Statistics Office estimates 2016
holiday consumption at $553 per household for food, drink, and gifts. About 80 percent of these gifts are imported.

Social Media

Social media use has exploded in Mongolia, no doubt fueled by its overwhelmingly young population and open internet policy. In 2016, 77 percent of Mongolians (2.3 million) used social media — primarily Facebook, Twitter, or both — compared to 41 percent in 2014. While the government uses filters to block sexually explicit materials, it does not use filters to ban social media users actively exercising rights to access information and of free speech. Mongolians also use social media platforms to shop, with an estimated 65 percent of Mongolian Facebook users linked to at least one Facebook shopping page.

Trade Promotion & Advertising

Mongolians advertise through social media, newspapers and magazines, radio, TV, cell phones, billboard displays, and sports and entertainment sponsorships. Almost every household in Ulaanbaatar (over 50 percent of Mongolia’s consumer market) has smart phones, TVs, and radios. In addition, cellular service is available in almost every part of the country, allowing cellular advertisements to reach all but the most remote corners. There are many advertising companies in Mongolia. The Mongolian National Chamber of Commerce and Industry holds annual spring and autumn trade shows with participants from around Mongolia, Russia, China, and Korea.

Two caveats about advertising

1. In the United States, companies can deduct the cost of advertising as a legitimate business expense. Mongolia limits deduction of advertising costs to five percent of gross profits — no matter how much a company spends on advertising.

2. The Law on Advertising of Mongolia restricts the kind of information that may be presented. For example, advertisers must not “tarnish the honor of Mongolia,” promote alcohol or tobacco products, or directly compare products in their ads.

Major Newspapers and Business Magazines:

Major Daily Newspapers
Montsame: Official state owned news agency of Mongolia; Email: referent@montsame.gov.mn; Tel: +976 51-266-904

Unoodor: Independent daily newspaper published by Mongol News Group; Email: today@mongolnews.mn; Tel: +976 7011-1095/7011-3825

Odriin Sonin: Daily newspaper; Email: info@dailynews.mn; Tel: +976 9911-2954

Mongolyn Medee: Daily newspaper; Email: mongoliin_medee@yahoo.com; Tel: +976 7011-3551

Zuuny Medee: Daily newspaper; Email: zuuniimedee@yahoo.com; Tel: +976 70116001

English Language Newspapers

Mongol Messenger: Weekly English language paper published by the state-owned news agency MONTSAME; Email: mongolmessenger@montsame.gov.mn; mongolmessenger@yahoo.com; FB: Montsame.agency; Twitter: @montsame_en; Tel: +976 51 266-904; +976 9910-5057/9909-2658/9929-1632

UB Post: Weekly English-language newspaper published by Mongol News Group; FB: Twitter; Email: ubpost@mongolnews.mn; Tel: +976 11 330-794, +976 7011-3825

Business Periodicals

Business Times: Mongolian-language weekly business magazine published by the Mongolian National Chamber of Commerce and Industry

Business and Development Quarterly Bulletin

Invest pro Mongolia: English-language quarterly bulletin; Email: media@mongolchamber.mn

The Mongolian Mining Journal; Email: info@mongolianminingjournal.com

National television stations

Bloomberg TV Mongolia

Bolovsrol Channel Television
Mongolian National TV

Mongol Television

TM Television

VTV

C1 TV

ETV

Eagle News Television

MN25 Television

SBN Television

TV5

TV8

TV9

UBS TV

Major News Portals

News.mn

Time.mn

Gogo.mn

Olloo.mn

Ikon.mn

Eagle.mn

Medee.mn
Pricing
Mongolians prefer to buy the best quality they can but will choose the less expensive product, unless swayed by after-sales service or clear product superiority. Mongolians will pay a premium to avoid purchasing lower quality items on a product-by-product basis. All products, except those exempted by law, reflect a five percent import tax and 10 percent value-added tax in their pricing.

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

Education about the value of after-sales service and experience with failed equipment has turned the corner for some U.S. product lines in the heavy equipment sector. Currently, firms selling electronic equipment, autos, and mining equipment and tools pursue a variety of options. Generally, Mongolians favor sales models based on service and customer support practices used by well-known Western and Japanese firms. Mongolians perceive companies that follow such practices as more professional and reliable.

Protecting Intellectual Property
In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our articles on Protecting Intellectual Property and Corruption.
IP Contact at the U.S. Embassy in Ulaanbaatar

Name: Michael Richmond, Senior Commercial Specialist
Address: Denver Street #3, 11th Micro-District, Ulaanbaatar 14190
Telephone: +976 7007-6001
Email: Ulaanbaatar-Econ-Comm@state.gov

IP Attaché Contact for Mongolia

Name: Joel Blank, IP Attaché
Address: 55 Anjialou Rd, SanYuan Qiao, Chaoyang Qu, Beijing Shi, China, 100016
Telephone: +86 10 8531 3000
E-mail: Joel.Blank@trade.gov

Due Diligence

Companies are advised to perform appropriate due diligence on prospective business partners and agents in any Mongolian business venture. The U.S. Embassy in Ulaanbaatar can assist by providing verifiable business confidential information on both reputations and actions of firms and individuals active in Mongolia through a commercial service International Company Profile (ICP). For more information contact:

Name: Michael Richmond, Senior Commercial Specialist, U.S. Embassy
Address: Denver Street #3, 11th Micro-District, Ulaanbaatar 14190
Telephone: +976 7007-6001
Email: Ulaanbaatar-Econ-Comm@state.gov

Local Professional Services

Licensing technologies, opening representative offices, or establishing subsidiaries in Mongolia involve tax and other laws as well as questions on business practices that may best be addressed by attorneys and accountants familiar with Mongolian requirements.
Attorneys: Several U.S. law firms or U.S.-Mongolian firms operate in Mongolia, in addition to Mongolian firms. There is a partial list on the U.S. Embassy website, or contact the U.S. Embassy at Ulaanbaatar-Econ-Comm@state.gov.

Principle Business Associations

The American Chamber of Commerce in Mongolia (AmCham): AmCham is an independent membership-driven organization that seeks to build, strengthen, and protect business between the United States and Mongolia and to actively promote Mongolia as a destination for U.S. exports and investment. AmCham is accredited by the U.S. Chamber of Commerce as its official affiliate in Mongolia.

Business Council of Mongolia (BCM): The BCM aims to make constructive contributions to enhancing the business environment in Mongolia and works to foster trade and business relations by providing a networking forum for its members. The BCM sponsors, partners and hosts investment conferences locally and in foreign countries.

Mongolian National Chamber of Commerce and Industry (MNCCI): The MNCCI is devoted to the development of international trade and investment in Mongolia’s business community. MNCCI includes 19 provincial branches and actively cooperates with more than 40 international Chambers of Commerce and Trade Promotion Organizations. MNCCI also provides arbitration services.

Mongolian Builders Association (MBA): The MBA is the largest non-government organization in the construction sector in Mongolia with 950 members in 21 provinces.

Mongolian National Mining Association (MNMA): The MNMA is a nonprofit, non-governmental organization that engages in production, legislative and regulatory advocacy, scientific research, mapping and projection, services, and training in the mining sector.

North America-Mongolia Business Council (NAMBC): The NAMBC advocates, advances, and expands North America-Mongolia bilateral trade and investment to the benefit of its Canadian, American, and Mongolian members by working closely with the governments of Mongolia, Canada, and the United States to strengthen economic ties and promote policy frameworks that insure transparency and a level playing field for businesses. The NAMBC is headquartered in Alexandria, Virginia.
Limitations on Selling U.S. Products and Services

Mongolia does not limit the selling of U.S. products and services to Mongolian citizens or to any sub-set of the Mongolian population.

Web Resources

Mongolian Resources

Government of Mongolia

General Tax Authority of Mongolia

General Agency for Intellectual Property and State Registration

American Chamber of Commerce in Mongolia

Business Council of Mongolia

North America-Mongolia Business Council

Customs General Administration

Embassy of Mongolia, Washington, DC

General Agency for Specialized Inspection

General Authority for Social Insurance

Mineral Resources and Petroleum Authority of Mongolia

Mongolian National Chamber of Commerce and Industry

Mongolian Agency for Standardization and Metrology

Mongolian Builders Association

Mongolian National Mining Association

Parliament of Mongolia

U. S. Government
Leading Sectors for U.S. Exports & Investments

Mining

Overview

Plentiful mineral endowments, proximity to large markets in Asia, and general political stability make investing in and selling U.S. mining equipment and services to Mongolia’s mining sector potentially profitable. In 2016, according to government figures, the mining sector accounted for 21 percent of the GDP, 85 percent of exports, over 30 percent of the national budget revenue, and over 70 percent of the country’s foreign direct investment. Economic slowdowns among Mongolia’s key regional export partners, particularly China, coupled with government policy missteps have inhibited the sector’s short-term prospects, but there is still strong medium- to long-term potential for U.S. mining goods and services.

|-------------------|------|------|------|------|
Two mega-projects represent the promise of Mongolia’s mining sector: the Oyu Tolgoi copper-gold project (OT) and the Tavan Tolgoi coking coal project (TT). The OT mine alone contains over 35 million tons of copper and 1,275 tons of gold and will likely drive Mongolia’s GDP growth for at least the next three decades. At full capacity, OT will produce 450,000 tons of copper a year, close to three percent of world output. Production at OT started in 2013 and is projected to reach full capacity by 2025. OT’s $7 billion development of its underground operations will offer ongoing procurement opportunities during the 2017-2022 buildup and for the life of the mine. Information about OT procurement opportunities.

At a more preliminary stage than OT, the TT coal basin holds estimated reserves of over six billion tons of high-quality thermal and coking coals. Although the government of Mongolia has sought international bids on TT’s development for several years, as of mid-2017, the shape and scale of an international development remain under parliamentary review.
In addition to these two projects, Mongolia continues to explore its significant potential in other mining areas, including but not limited to gold, molybdenum, fluorspar, zinc, tungsten, rare earths, iron, and uranium. Mongolia ranks fifth among global fluorspar producers, producing both acid and metallurgical grades, with four percent of the world’s total production. Mongolia’s most common and potentially commercial rare earths are tantalum, niobium, yttrium, thorium, and zircon.

In the mid- to long-term, the Mongolian Ministry of Mining and Heavy Industry (MMHI) and Parliament plan to amend the Mineral Law’s provisions to impose more extensive reclamation requirements for mining projects during the entirety of a mine’s life. Although amendment details remain under review, MMHI has identified U.S. reclamation practices as a model for Mongolia. U.S. exporters of mining reclamation goods and services may contact MMHI.

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General Tax Authority of Mongolia

Government of Mongolia

Ministry of Mining and Heavy Industry
**Mongolian Builders Association**

**Mongolian National Chamber of Commerce and Industry**

**Mongolian National Mining Association**

**Mineral Resources and Petroleum Authority of Mongolia**

**National Statistics Office of Mongolia**

**Oyu Tolgoi Procurement Department**

**Parliament of Mongolia**

**U. S. Resources**

U.S. Embassy in Mongolia Commercial Specialists: Ulaanbaatar-Econ-Comm@state.gov

**U. S. Embassy, Ulaanbaatar**

**U.S. Department of Commerce**

**U.S. Department of Commerce Advocacy Center**

**U.S. International Trade Administration**

**U.S. Trade and Development Agency**

**U. S. Export-Import Bank**

**U.S. Overseas Private Investment Corporation**

**U.S. Department of State**

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**Agricultural Sector**

**Overview**

Long a mainstay of the economy, agriculture generates much of Mongolia’s national revenue and employment. In 2016, the National Statistics Office of Mongolia (NSO) reported that the sector generated about 13 percent of Mongolia’s GDP and directly or indirectly employed more than half of Mongolia’s three million people.
The livestock sector, comprised mostly of small-scale herders, raises cattle, goats, sheep, horses, and camels, and accounts for nearly 83 percent of agricultural products. The goats and sheep contribute to the domestic hair and hides processing sectors. Altogether, according to the National Statistics Office, Mongolians possess more than 60 million herding animals. Mongolian farmers grow wheat, potatoes, and rapeseed and are experimenting with many other crops, seeking those that can be profitably grown during Mongolia’s short and relatively dry summers.

While agriculture is central to Mongolia’s economy, it is only recently that investors have moved to improve the efficiency and profitability of the sector with a goal of exporting to neighboring countries. Despite some improvements, however, several impediments to exporting remain. First, animal diseases are prevalent and persistent, and the Mongolian veterinary system has been unable to promptly and effectively contain and manage outbreaks. These animal disease outbreaks lead Mongolia’s neighbors to periodically ban Mongolian exports. Second, some Mongolian meat, especially beef, is unable to compete in export markets on quality due to livestock producers’ limited use of feed and breeding practices. Third, the ever-increasing number of animals exceeds the carrying capacity of the pastureland — and the impact of climate change further exacerbates the deterioration of the pastureland. Fourth, Mongolia’s sanitary and phytosanitary standards fall short of international standards. Mongolia’s regulatory and testing systems need investment and improvement.

While obstacles exist, the Ministry of Food, Agriculture, and Light Industry (MOFALI) and the private sector are working to reduce these barriers, uncovering commercial opportunities in the process. The government’s National Action Plan identifies development of the agricultural sector as its top priority and seeks to develop an agricultural export sector.

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Leading Sub-Sectors and Opportunities

Mongolia is poised to increase meat exports to its neighboring markets, especially China, which already imports over three billion dollars of beef and mutton each year. Despite a slowing economy, the Chinese demand for imported meat has grown steadily. Provided health and safety measures are met, Mongolian sheep, goat, and horse meat is already of sufficient quality to meet Chinese demand. In addition, several large farms are employing modern techniques, including feeding imported beef cattle breeds from thousands of hectares of irrigated cultivated grasses. Meat processing facilities are also upgrading equipment and operating procedures, and a few have obtained certification to export to China, Russia, and other countries. As the Mongolian livestock sector moves closer to developing a viable export sector, opportunities exist to provide agricultural technologies, know-how, and modern equipment.

Although most of Mongolia’s provinces have established private food plants and shops, the quality of these domestic products fails to meet international standards, leading most Mongolians to purchase imported food products from abroad. The Bank of Mongolia reports that Mongolia spends around $500 million on food imports annually. This reliance on higher
quality through imports is driven, in part, by the low technological base in the domestic food production industry. For this reason the Mongolian agricultural sector engages in very little domestic processing of food and animal products. MOFALI reports show that domestic meat production has remained generally flat from 2008 through 2016. Challenges with upgrading existing production technology and the lure of exporting higher value-added agricultural products as leather or cashmere continue to slow development of domestic food production.

**Web Resources**

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General Agency for Specialized Inspection

General Authority for Social Insurance

General Tax Authority of Mongolia

Government of Mongolia

Ministry of Food, Agriculture, and Light Industry

Mongolian Builders Association

Mongol National Chamber of Commerce and Industry

National Statistics Office of Mongolia

Parliament of Mongolia

*U.S. Resources*
Construction

Overview

Ranking third after mining and agriculture, Mongolia’s commercial and residential construction sector contributed about 13 percent of GDP in 2016 and around 15 percent of total FDI. Over 80,000 people work in the construction sector, and the industry generates 130,000 jobs in related fields. Since 2012, commercial and residential building stock has increased due to government backing, spurred by continuing expectations of a mining-led economic boom. Mongolia produces about 60 percent of its construction materials domestically and imports the remaining 40 percent, and seeks to domestically produce as much of these materials as possible. To this end, the Ministry of Construction and Urban Development has stated that the government will waive import and value-added taxes on construction equipment and related technologies that can be used to create a Mongolia-based construction sector.

The cost of building new property in Mongolia is around $750 per sq. meter. The average price of a new apartment in the capital city’s central area is $800-1,400 per sq. meter. The largest construction market is in the capital city of Ulaanbaatar, where nearly half of Mongolia’s 3 million citizens live. As of 2016, 60 percent of the total population of
Ulaanbaatar lives in ger (traditional felt tent) districts. Housing those who live in these less-developed peri-urban districts will require not only new residential stock but an upgrading of related infrastructure, including roads, water facilities, and power plants.

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Data Sources:

Total Local Production: National Statistics Office of Mongolia
Total Exports: Bank of Mongolia
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Imports from U.S.: U.S. Census Bureau

Leading Sub-Sectors and Opportunities

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

Government Housing Programs
• Housing for 100,000 Households: A government program that plans 75,000 units for the capital and 25,000 for the Mongolian countryside (apartments for at least 1,000 households per province in the countryside offering five percent mortgages) and the Ulaanbaatar city government’s Ger Area Land Re-adjustment plan, which is reforming ger areas around city. The mayor’s office is also receiving technical support and possible financing from the Asian Development Bank (ADB) for affordable housing.

• The Infrastructure Project: This program, with funding from the Development Bank of Mongolia, aims to accelerate new development projects, build infrastructure and engineer public utilities, and carry out technological upgrades in water supply and wastewater treatment. The government expects additional contributions from international donors such as the ADB, Japan, China, and France.

• A new urban area is envisioned around Ulaanbaatar’s new airport. This facility is 30 miles from the capital and is set to become operational in mid-2018.

As part of Mongolia’s commitment to reduce its total greenhouse gas emissions by 14 percent, Mongolia is seeking to adopt green construction material standards promoting low heat-loss and energy and resource efficiency. The government of Mongolia, in partnership with the United Nations Partnership for Action on Green Economy (PAGE), is working to develop green building codes and policies in Mongolia, which will initially be applied to new kindergarten and school buildings constructed with public funds. Specifically, Mongolia is in the process of: 1) creating the criteria for adopting and using green building materials; 2) carrying out the technical and supply and demand research on domestically manufactured and imported green building materials; and 3) developing an online database. U.S. manufacturers of environmentally-friendly construction materials may find opportunities in Mongolia’s push for green buildings.

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Ministry of Construction and Urban Development

Ministry of Roads and Transport

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U.S. Trade and Development Agency

U.S. Export-Import Bank
Energy Generation

Overview

Mongolia’s primary electricity grid was installed in the 1960s and 1970s but has not been expanded and adapted to meet the needs of population growth and shifting settlement patterns. This situation has left a large percentage of the expanding rural population literally “off the grid” while leaving Ulaanbaatar and other urban centers dependent on a system insufficient for their ever-growing demand. Delayed implementation of planned projects has hampered modernization of the existing power generation system and left vast swaths of the country dependent on imported electricity from Russia and China. Furthermore, the government acknowledges that low electricity tariffs and an undeveloped regulatory environment inhibit private investment into utility-scale projects.

The Mongolian government seeks to overcome these impediments and establish a stable, continuous supply of power to meet its increasing domestic electricity demand. Eventually, Mongolia hopes to become an electricity exporting country, primarily through renewable energy generation, to the vast Northeast Asian region, including to consumers in Russia, South Korea, Japan, and China. According to the Ministry of Energy, Mongolia’s energy goals are to improve base load generation and energy storage, explore opportunities for combined heat and power (CHP), and increase energy efficiency and conservation.

The U.S. National Renewable Energy Laboratory estimates that Mongolia has 2.6 terawatts (TW) of total renewable energy potential. With 300 days of sunshine per year, a high level of wind resources, low moisture, and low temperatures, the Gobi Desert has been identified as a suitable location for construction of both solar facilities, including concentrated solar, and wind power plants. The Eg, Selenge, Zavkhan, and Khovd River watersheds in the northern and western regions of Mongolia have also been identified as areas with abundant hydropower resources.
Following the inauguration of Mongolia’s first utility-scale wind farm facility in July 2013, which was funded in part by the Millennium Challenge Corporation, the Mongolia government has demonstrated a strong political commitment to green development by seeking to raise the share of renewable energy from its current seven percent of installed capacity to 20 percent by 2023, and to further increase this to 30 percent by 2030. Growing numbers of wind and solar projects are in the pipeline in response to the renewable energy targets set by the government.

To incentivize renewable energy development, the Mongolian government has mandated feed-in tariffs of 8 to 9.5 U.S. cents per kWh for wind energy and 15 to 18 U.S. cents per kWh for solar energy. In addition, in December 2015 the Mongolian government provided for customs and VAT exemptions for imports of renewable energy equipment.

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**Leading Sub-Sector Opportunities in Renewables**

In July 2013, the 52 MW Salkhit wind farm commenced operations using U.S. wind turbines. A number of wind farm projects are in the planning and development stages, with five companies (Clean Energy, CleanTech, Sainshand Wind Park, Aydiner, and AB Solar) having obtained licenses from the Energy Regulatory Commission of Mongolia. The exploitation of Mongolia’s wind resources will require the procurement of equipment such as wind turbines, tower sections, rotor blades, gears, generators, casting and forgings, and transformers. In addition, engineering, construction, and logistics services will be needed to install the equipment.

U.S. companies may have opportunities to provide central solar heating systems to provide heating and hot water to government buildings, schools, hospitals, and residences. As Mongolia taps its mineral and agricultural resources, remote mining and farming facilities will require power. While linking these to a central grid will likely be too expensive, a distributed-energy resource solution based on renewables and energy storage may make sense. Such solutions will require technical advice, support, and technologies to secure stable energy supplies.

Mongolia’s electrical grid is currently disadvantaged by its lack of an energy storage capability or ability to manage variable energy inputs. Plans to construct new, modern coal plants and hydro plants remain on the government agenda and if completed, would introduce some flexibility into the electricity grid by providing substantial baseload power. However, implementing electrical storage capabilities would provide a fast and effective mechanism to incorporate wind and solar renewable energy production into the domestic and export markets.

U.S. investors and exporters should note that some of these power generation projects may qualify for Public Private Partnership (PPP) and concessional arrangements with the Mongolian government. While there currently is no standard PPP agreement or package of concessions
for those seeking to develop power projects, the Mongolian government recognizes in principle the need to provide a stable framework for those seeking to build and profitably operate renewable power facilities.

U.S. companies wishing to invest in Mongolia's renewable power generation projects can contact OPIC, U.S. EXIM, and USTDA about potential financing in relation to their investment projects.

Web Resources

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Ministry of Energy
Ministry of Nature, Environment, and Tourism
Ministry of Roads and Transport
Mongolian Builders Association
Energy Efficiency
Overview

Mongolia’s increasing demand for energy as well as hazardous air pollution affecting the health of its population is pressuring the government to take energy conservation seriously. Energy efficiency figures prominently in Mongolia’s National Green Development plan approved by Parliament in June 2014. For example, the government aims to reduce greenhouse gas emissions in the energy sector through the increase of energy efficiency by 20 percent by 2030, while it seeks to reduce building heat losses by 20 percent and 40 percent by 2020 and 2030, respectively. The government’s National Green Development plan states that the government will increase investment in energy efficiency and green development by two percent of GDP annually for an unspecified period of years.
According to the Energy Conservation Law, the Energy Conservation Council (ECC) will be a major player in this sector. Working under the supervision of the Energy Regulatory Commission, the ECC will be responsible for implementing energy conservation-related state policy and legislation, formulating national energy conservation programs, registering designated consumers, tracking and monitoring metrics and performance, and issuing licenses for energy auditors and energy managers.

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**Leading Sub-Sector Opportunities**

In November 2015, the government passed the Energy Conservation Law, which will require designated large energy consumers in Mongolia to conduct an energy audit and to take appropriate measures to conserve energy. As a first step, these designated consumers — 99 large businesses and public institutions at latest count — must reduce energy consumption by
15 percent. The number of designated consumers will also expand in the future to include smaller entities. The government plans to provide incentives and levy penalties to ensure enforcement of the law.

Given the new ECC, U.S. energy service companies engaged in diagnostics and energy management will have growing opportunities in Mongolia. These U.S. companies could potentially deliver consulting services directly to the designated consumers or partner with local engineering companies to provide technology and know-how to improve energy efficiency.

In addition, the governments of the United States and Mongolia are working together to develop local capacity to implement Cold Weather Engineering Principles (CWEP) in Mongolia to improve basic living conditions of under-served, impoverished Ger district residents of Ulaanbaatar. Ulaanbaatar’s population has nearly doubled in 14 years, outstripping the government’s ability to provide essential services in an area where winter temperatures routinely drop below -40F degrees and residents are forced to burn coal, wood, trash and animal dung to stay warm. These workshops would introduce construction principles which will improve insulation, air quality, hygiene, and industrial health and safety. Through a series of workshops and joint construction projects, both governments aim to improve basic living conditions by increasing links between Mongolian engineers, the Mongolian construction industry and U.S. construction firms with expertise in CWEP.

**Web Resources**

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U.S. Department of Commerce

U.S. Department of Commerce Advocacy Center

U.S. International Trade Administration

U.S. Trade and Development Agency

U.S. Export-Import Bank

U.S. Overseas Private Investment Corporation

U.S. Department of State
Supply Chain/Logistics

Overview

While the Mongolian government and private sector have expended considerable financial resources on transportation improvements, the area of logistics lags behind. According to the World Bank’s 2016 Logistics Performance Index, Mongolia ranked 108 out of 160 countries. In addition to inefficient connections and inadequate warehousing, underdeveloped transportation systems and choke points cause goods to move slowly. This lack of efficient logistics threatens to keep the cost of imported goods high and exports uncompetitive despite the heavy investment in transportation.

Initiatives led by regional countries and organizations as well as by the private sector are introducing better-managed systems and improved logistics within Mongolia. These initiatives, involving efforts from China, the Central Asia Regional Economic Cooperation program (CAREC), and others, are poised to put Mongolia at the center of major global logistical networks.

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**Total Market Size**

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**Exchange Rate: 1 USD**

|            | 1,524 | 1,818 | 1,970 | 2,130 |

Data Sources:

- Total Local Production: [National Statistics Office of Mongolia](#)
- Total Exports: [Bank of Mongolia](#)
- Total Imports: [Bank of Mongolia](#)
- Imports from U.S.: [U.S. Census Bureau](#)

**Leading Sub-Sector Opportunities**

As Mongolia develops its agricultural export industry, it must develop a cold-chain capacity to ensure food preservation during shipment. With an estimated 60 million head of livestock, Mongolia produces large quantities of meat and dairy products, almost all of which is domestically consumed or wasted. Due to the lack of a reliable cold chain, the small amount exported is limited to carcasses or live animals.

An effective supply chain consists of refrigerated transportation and storage, and good roads, rail, and airports connecting suppliers, warehouses, and consumers. Mongolia has made great strides in developing its road network which transported 16.7 million tons of cargo in 2015. Currently, Mongolia has a network of 6,000 miles of hard-top roads, of which 3,800 miles has been built within the past three years. The Mongolian government is seeking regional support to further develop its roads. Mongolia’s rail network transported the vast majority, or 19.1 million tons, of cargo in 2015. However, due to underinvestment, the rail network has reached its current capacity and barring additional investment, additional cargo will need to be sent by road or air.

A key component of Mongolia’s plans to expand its logistical networks is the New Ulaanbaatar International Airport (NUBIA), located about 36 miles south of Mongolia’s capital city Ulaanbaatar. With operations projected to commence by May 2018, NUBIA will be operated.
by the Civil Aviation Authority of Mongolia, and will meet all International Civil Aviation Organization requirements. NUBIA will have the capacity to handle 3 million passengers per year and can potentially expand to up to 12 million passengers per year; its six connecting gates can receive 21 aircraft simultaneously and 22,000 flights per year compared to the approximately 4,000 flights that can be accommodated at the current Chinggis Khaan International Airport.

While minimal at 28.2 metric tons in 2015, air cargo has great potential to grow with NUBIA. The new airport has the potential to serve as a cargo hub linking Mongolia to China, Korea, Japan and Europe. The development of an airport logistics hub — “Hybrid Cargo Logistics Center” — located at the intersection of road and rail traffic coming out of the capital of Ulaanbaatar is under discussion. Airport officials estimate NUBIA will annually handle 9,200 metric tons of international cargo and 2,700 metric tons of domestic cargo.

The Mongolian warehousing industry currently is quite small and basic, with next to no capacity for temperature-controlled storage. Several private firms have constructed warehouses, but agricultural products often spoil due to inadequate facilities, with estimates of up to $120 million in product losses.

**Web Resources**

*Mongolian Resources*

American Chamber of Commerce in Mongolia

Bank of Mongolia

Business Council of Mongolia

Civil Aviation Authority of Mongolia

Customs General Administration

Embassy of Mongolia, Washington, DC

General Agency for Intellectual Property and State Registration
Mongolia Country Commercial Guide, June 2017

General Agency for Specialized Inspection

General Authority for Social Insurance

General Tax Authority of Mongolia

Government of Mongolia

Ministry of Construction and Urban Development

Ministry of Nature, Environment, and Tourism

Ministry of Roads and Transport

Mongolian Builders Association

Mongol National Chamber of Commerce and Industry

National Statistics Office of Mongolia

Parliament of Mongolia

U. S. Resources

U.S. Embassy in Mongolia Commercial Specialists: Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy, Ulaanbaatar

U.S. Department of Commerce

U.S. Department of Commerce Advocacy Center

U.S. International Trade Administration

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U.S. Export-Import Bank

U.S. Overseas Private Investment Corporation

U.S. Department of State
Information Technology (IT)

Overview

Over the last five years Mongolian demand for information technology (IT) goods and services has boomed as Mongolia’s young and adaptable population has embraced IT products for personal and professional uses. In its latest analysis on Mongolia’s information technology sector, the Communications Regulatory Commission (CRC) reports that Internet service users rose from 200,000 subscribers in 2010 to 2.6 million by December 2016, increasing Internet penetration to 86 percent. The Press Institute of Mongolia reported that checking Facebook and reading news are the top two online activities for Mongolians. Mongolians’ use of mobile and smart phones has also skyrocketed, growing from 60 percent of the population in 2009 to 102 percent of the population in 2015. (Note: The CRC reports that most Mongolian consumers subscribe to more than one IT and telecommunication service and own at least two mobile devices. End note.)

Demand for both communications and internet technologies has evolved rapidly. In the telecommunications sector, the use of fixed lines is minimal and declining, as Mongolia has largely bypassed this stage, proceeding directly to the use of mobile and wireless technologies. There are four major providers — Mobicom, Skytel, Unitel, and G-mobile — all offering pre-paid and post-paid plans for communication and computer services.

Introduction of new technologies has accompanied the boom in mobile phone use. Since 2009, MobiCom, Skytel, and Unitel have offered 3G high-speed mobile broadband services in Mongolia, and are currently in the early stages of rolling out 4G services. These services are accessible to all users. Several companies also successfully market pre-paid, long-distance direct calling card services.

Mongolian law provides for freedom of speech and press. Individuals and groups may engage in the peaceful expression of views on the internet, but the government imposes restrictions in broad terms on internet content, as well as on television and radio service, while providing only a limited definition of restrictions. The government maintains a public list of websites blocked for alleged violations of relevant laws and regulations, including those relating to intellectual property. Apart from this, there have been cases of apparent government interference with online expression on websites or by internet users who posted stories or
opinions that criticized or reflected negatively on government officials. Mongolia is a member of the Freedom Online Coalition (FOC), a cross-regional intergovernmental coalition of 30 countries established in 2011 committed to advancing internet freedom worldwide. In its Freedom of the Press 2017 report, Freedom House, an independent international watchdog NGO, rated Mongolia “partly free,” giving the country a score of 85 on a scale of 1-100 (0=best, 100=worst). South Korea, Ghana, and Italy received similar scores.

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Sub-Sector Opportunities

The CRC and the Communications and Information Technology Authority (CITA) report that Mongolia’s public and private networks are at risk from cyber threats, and that both the government and commercial companies want to develop the domestic capacity to defend the integrity of Mongolian systems against intrusions. While CITA representatives declare that the
Mongolian government prefers domestic solutions, it recognizes outside expertise and products are essential to develop domestic capacity.

The government is seeking to identify systems and other technologies to support its program of delivering services at the municipal, provincial, and national level through high-speed broadband networks.

CITA also promotes Mongolia as a possible location for cloud-computing data centers and backroom business operations. Mongolian IT specialists have the appropriate IT talents and skills to staff and maintain such facilities, but Mongolia lacks the start-up capital and experience to build these facilities from the ground up. Partnerships between U.S. IT firms and Mongolian firms, along with the support of the government, may be worth exploring.

Web Resources

Mongolian Resources

American Chamber of Commerce in Mongolia

Bank of Mongolia

Business Council of Mongolia

Communications and Information Technology Authority

Customs General Administration

Embassy of Mongolia, Washington, DC

General Agency for Intellectual Property and State Registration

General Agency for Specialized Inspection

General Authority for Social Insurance

General Tax Authority of Mongolia

Government of Mongolia

Ministry of Construction and Urban Development
Mongolian Builders Association

Mongol National Chamber of Commerce and Industry

National Statistics Office of Mongolia

Parliament of Mongolia

Press Institute of Mongolia

U. S. Resources

U.S. Embassy in Mongolia Commercial Specialists:  Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy, Ulaanbaatar

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Franchising

Overview

U.S. franchises are penetrating Mongolia, including Burger King, Cinnabon, Coffee Bean and Tea Leaf, Hard Rock Café, KFC, Pizza Hut, and Round Table Pizza. Of Mongolia’s three million people, over 60 percent live in Mongolia’s three major urban areas. Ulaanbaatar, Mongolia’s key market and economic engine, has 1.3 million people — nearly half of the country’s total. With such a concentrated populace, investors do not need a far-flung network to tap the Ulaanbaatar market.
U.S. products and services for franchises generally find Mongolia an excellent fit. A youthful country, over 81 percent of Mongolia’s three million people are under 40, and approximately 76 percent are under 35 years of age. Flexible, open to new products, services, and ideas, this young population likes American brands. Most Mongolians, particularly urban residents, have smart phones, radios, and TVs. Newspapers are cheap; billboards abound.

Mongolians also have increasing disposable incomes. Although the government places the minimum monthly wage at 240,000 Tugriks or about $100, official figures do not capture actual economic capacity. When adjusted by purchasing power parity (PPP), Mongolia’s GDP per capita was last recorded at $11,477 in 2015. In addition to formal jobs, many Mongolians earn hundreds of dollars a month through gray market activities, and foreign remittances bring in hundreds if not thousands of dollars for Mongolian families. A best guess puts the effective number willing and able to pay on a regular basis for higher cost American goods and services, particularly through franchises, somewhere between 600-800 thousand people.

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**Leading Sub-Sectors and Opportunities**

The ongoing success of the first franchises in Mongolia, predominately in the food and beverage sector, shows that Mongolians will buy American franchise products, even with the availability of cheaper, albeit of demonstratively lower quality, products from competitors. Where price differentials are reasonable and the qualitative difference between the products clear, U.S. franchisors and their franchisees in the food and beverage sector are succeeding.

**Success Factors to Consider**

Major international franchise firms have established the following best practices for doing business in Mongolia:

1. Register the brand in Mongolia before entering the market.
2. Find reliable local partners who can help navigate the local business environment.
3. Understand cultural differences and adjust market access strategies accordingly.
4. Be able and willing to localize your product if necessary, without changing the core product.

**Web Resources**

*Mongolian Resources*

[American Chamber of Commerce in Mongolia](#)

[Business Council of Mongolia](#)

[Embassy of Mongolia, Washington, DC](#)

[General Agency for Intellectual Property and State Registration](#)

[General Agency for Specialized Inspection](#)

[General Authority for Social Insurance](#)

[General Tax Authority of Mongolia](#)
U.S. companies do not face particularly high tariff rates on their exports and no targeted restrictions on selling to the government of Mongolia. Although the import licensing regime is vague and nontransparent at times, companies can work through the requirements. Mongolia has not yet availed itself of anti-dumping and countervailing duties to support domestic production. It will occasionally ban products — usually for health and safety reasons. Mongolia does also impose quarantines on domestic agricultural products, usually livestock-based; however, a lack of capacity to monitor quarantined products in-country forces Mongolia to ban entry of any suspect agricultural product.
The government of Mongolia, in order to support domestic manufacturing, imposes tariffs from 6.5 to 20 percent on over 100 goods spanning 28 categories of imports.

For information, go to the Customs Control & Clearance Department of the Customs General Administration; +976 11 353-541.

Import Tariffs

Mongolia imposes a five percent import tax on most imported goods while some are subject to additional seasonal duties. Certain goods for export are also subject to specific customs duties. Any physical or legal entity engaged in foreign trade is liable to pay customs duties as well as some other taxes and fees upon importation or exportation.

The following goods are subject to 15 percent customs duty between August 1 and April 1 every year. For the remainder of the year, a five percent customs duty applies.

- Potatoes
- Onions
- Cabbages
- Yellow carrots
- Yellow turnips
- Flour (July 1 - April 1)

By the Amended Law of Mongolia on Customs, Tariff and Tax and the Law on Value-Added Tax, equipment, parts and spare parts to be used for renewable energy manufacturing and its research studies are exempt from customs tax and value-added tax.

For information, go to the Customs Control & Clearance Department of the Customs General Administration; +976 11 353-541.

Export/Import of Strategic Food:

For self-proclaimed national security purposes, Mongolia also imposes license requirements on the import and export of food and agricultural products defined as critical to national
security. According to the interim regulation on issuing export/import licenses for strategic food, approved by Government resolution No. 77 dated March 2, 2013, strategic food as defined in Article 3.1.6 of the Law on Food, includes: (a) liquid and powdered milk; (b) meat of cattle, horse, camel, goat, and sheep processed by other than heating; (c) wheat flour; and (d) potable water. The regulation states that licensing and import of these strategic foods shall be based on open tender for any given year. The National Council on Food Security shall define the type and amount of strategic food to be exported/imported based on proposals by the ministry in charge. A license is issued for each type of food and is valid for 6 months.

For information, go to the Customs Control & Clearance Department of the Customs General Administration; +976 11 353-541.

For more information and help with trade barriers please contact:

- International Trade Administration
  Enforcement and Compliance
  +1 (202) 482-0063
  ECCommunications@trade.gov

- The U.S. Embassy in Mongolia
  Senior Commercial Specialist
  +976 7007-6001
  Ulaanbaatar-Econ-Comm@state.gov

**Import Requirements & Documentation**

Customs clearance for export and import has the following steps:

1. Declaring goods
2. Inspection of customs documents
3. Inspection of the goods and means of transport
4. Levying customs duties and other taxes and payments thereto
5. Granting permission and releasing goods to cross customs border
For information, go to the Customs Control & Clearance Department of the Customs General Administration; +976 11 353-541.

**Labeling/Marking Requirements**
Labels of imported food must be written in Mongolian and can include Russian or English language information. Only a properly registered legal entity of Mongolia (not individuals) may import food. An exporter needs to conclude an agreement with a Mongolian importer that employs quality management and standards for agriculture, food, and health. Contact Export/Import Monitoring Department, General Agency of Specialized Inspection (GASI); +976 51 264147.

**U.S. Export Controls**
The U.S. government employs export controls that companies must follow when exporting to Mongolia. Find a consolidated list of the controls.

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

1. Customs branch at Altanbulag, Selenge province
2. Customs office at Zamiin-Uud, Dornogovi province
3. Customs office of Ulaanbaatar city
4. Customs bureau of Darkhan-Uul province
5. Customs bureau of Orkhon province
6. Customs bureau at Khankh, Khovsgol province
7. Customs branch at Tsagaannuur, Bayan-Olgii province
8. Customs branch at Ereentsav, Dornod province
9. Customs branch at Bulgan, Khovd province
10. Customs branch at Borshoo,Uvs province
11. Customs office at Buyant-Ukhaa

For information, go to the Custom Control & Clearance Department of the Customs General Administration; +976 11 353541.

**Prohibited & Restricted Imports**

*Prohibited items* include drugs/narcotics, devices and equipment for using and manufacturing drugs/narcotics, narcotic plants, all types of spirits, and scrap metal (ferrous and non-ferrous). The Ministry of Health may allow importation of narcotics and narcotic plants for medical purposes.

*Restricted items* include highly toxic chemicals, organs and donor blood for medical purposes, guns, rifles, weapons, military equipment and devices and their spare parts, or explosives. Mongolia restricts the import and export of the following items:

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

For information, go to the Customs Control & Clearance Department of the Customs General Administration; +976 11 353541.

Customs Regulations

Customs General Administration

Contact: Director, International Cooperation Division
Tel: +976-51-266782
E-mail: info@ecustoms.mn

Standards for Trade

Overview

The Mongolian Agency for Standardization and Metrology (MASM) is Mongolia’s national standards setting body and represents Mongolia in the International Organization for Standardization (ISO). The MASM chairperson is appointed by the prime minister and reports to the deputy prime minister’s office. The highest decision-making organ of MASM, its National Council, has 19 members from ministries, agencies, nongovernmental organizations, scientific academia, and industry, who are approved by the Cabinet.

The 2003 Mongolian Law on Standardization and Conformity Assessment mandates MASM contribute to Mongolia’s social, economic, industrial, and commercial development by establishing standards based on the mutual understanding and voluntary agreement between governmental authorities and business, with regard to consumers’ rights, and to develop market-based standardization systems. MASM imposes technical regulations to ensure product safety, human health, environmental safety, and national security.
MASM and the government have identified improving food quality and safety standards, both for imports and exports, as essential goals. However, lack of capacity and fiscal constraints chronically limit MASM's ability to develop and implement standards. MASM is working to meet this goal by adopting and adapting standards from other countries with which Mongolia has important trade ties, such as China, the European Union (EU), Russia, and the United States, and from regional and international organizations. MASM employs foreign standards on an ad hoc basis, reflecting domestic need or the source of funding for standards development. The EU, through its *Support to the Modernisation of Mongolia's Standardisation System* project (SMMSS), has consistently funded such programs; consequently, MASM has a tendency to adapt EU standardization practices to Mongolian circumstances. Because China is Mongolia's largest trading partner, Chinese standards also inform MASM's practices. Mongolia is not a member of any regional body that develops standards, but is a member of ISO, the International Telecommunications Union, and the Pacific Area Standards Congress (PASC).

**Standards**

The **National Council of Standardization** (NCS) approves and adopts the standards used within Mongolia after a standardization technical committee (STC) reviews and accepts the proposed standard. MASM has 55 STCs. The Department of Standardization and Technical Regulation regulates STC activities. Mongolia has about 6,210 national standards, 42 percent of which are based on international or regional standards. Within the framework of the Agreement signed with the European Committee for Standardization (CEN), Mongolia aims to raise compliance to 90 percent. The list of national standards is available.

The Cabinet of Mongolia authorizes development and approval of all regulations. MASM, the central body in charge of standards, issues, reviews and draws conclusions on draft technical regulations. Mongolia is a member of the World Trade Organization (WTO) and its Cabinet ministry in charge of trade issues, the Ministry of Foreign Affairs and Trade, accepts domestically the technical regulations proposed by other WTO member countries to apply in international trade (in accordance with the WTO Agreement on Technical Barriers to Trade). The central body in charge of standard issues, MASM, notifies other WTO members no less
than three months in advance of adopting technical regulations. Testing, Inspection and Certification

Conformity Assessment

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

- Imported product conformity
- Exported product conformity
- Services conformity
- Domestic product conformity
- System conformity
- Approval of Mongolian National Standard (MNS) mark for products and services
- Conformity for “Eco” mark

Information.

Product Certification

MASM’S Laboratory of Reference Materials is Mongolia’s national testing organization for proficiency testing and certification. The Laboratory sets requirements for proficiency testing and equipment calibration of public and private certification laboratories, usually for food products, water quality, and mining assays.

Because MASM’s certification processes and standards are evolving, they are often unclear to U.S. and other third-nation exporters. Lack of clarity occasionally acts as an impediment to imports.

MASM is a member of the International Laboratory Accreditation Cooperation (ILAC), but not of the International Accreditation Forum (IAF). It is also a member of Codex Alimentarius.

If they are members of such internationally recognized accreditation organizations as ILAC or IAF, U.S. laboratories may operate in the Mongolian market and may test U.S. products for compliance with domestic regulatory requirements, subject to local licensing requirements.
Accreditation

MASM’s Department of Accreditation accredits laboratories engaged in the following activities:

- Product testing
- Technical monitoring and confirmation
- Human health and veterinary laboratory
- Metrology laboratory

Publication of Technical Regulations

MASM is responsible for publishing technical regulations in its national quarterly gazette “Standards? and Metrology.” Proposed technical regulations are published in this gazette, too, and on MASM’s website. Although MASM provides technical support on regulations, individual ministries are responsible for developing regulations for the laws that fall under their respective portfolios. Under the General Administrative Law, Article 6, (GAL), the designated ministry creates a ministerial working group that drafts the relevant regulation. GAL requires ministries, agencies, and provincial governments to seek public comment by posting draft regulations on their respective websites for at least thirty days and by holding public hearings, following the rules set out in the 2015 Public Hearing Law. U.S. entities may comment on regulations during this phase of the regulatory drafting process. Mongolia does not produce an annual regulatory agenda.

Contact Information

Mongolian Agency for Standard and Metrology:

Address: Peace Avenue 46A, Bayanzurkh District, Ulaanbaatar City 13343

Tel: +976 458-349; +976 263-860
Trade Agreements


Mongolia and the United States have no bilateral tax or free trade agreements, but do have a Bilateral Investment Treaty (BIT).

Mongolia and Canada signed a Foreign Investment Promotion and Protection Agreement (FIPA) in 2016 that entered into force on March 7, 201.

In February 2015, Mongolia and Japan signed an Economic Partnership Agreement (EPA) that entered into effect in June 2016.

UNCTAD lists Mongolia’s Bilateral Taxation and Investment Treaties

Mongolia is a member of the WTO.

Licensing Requirements for Professional Services

For information on licensing requirements for professional services contact the General Agency for Specialized Inspection.

Web Resources

Mongolian Resources
Government of Mongolia

General Tax Authority of Mongolia

General Agency for Intellectual Property and State Registration

American Chamber of Commerce in Mongolia

Business Council of Mongolia

Customs General Administration

Embassy of Mongolia, Washington, DC

General Agency for Specialized Inspection

General Authority for Social Insurance

Mineral Resources and Petroleum Authority of Mongolia

Mongolian National Chamber of Commerce and Industry

Mongolian Agency for Standardization and Metrology

Mongolian Builders Association

Mongolian National Mining Association

Parliament of Mongolia

U. S. Resources

U.S. Embassy in Mongolia Commercial Specialists: Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy, Ulaanbaatar

U.S. Department of Commerce

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U.S. Export-Import Bank
Investment Climate Statement

Executive Summary
Mongolia’s tremendous mineral reserves, agricultural endowments, and proximity to the vast Asia market continue to make it an attractive foreign direct investment (FDI) destination in the medium to long term. However, ongoing stagnation in global commodities markets, limited infrastructure, policy missteps, and the Government of Mongolia’s (GOM) lack of responsiveness to foreign investor concerns warrant caution in the short term. In addition to these factors, an economic downturn and fiscal crisis hamper the GOM’s ability to attract foreign investment, grow the economy, and address its many challenges.

Against this backdrop, the new majority government, elected in June 2016, which came to power on a wave of voter discontent with the previous government’s perceived mismanagement of the economy, has taken some encouraging steps. First, the U.S.-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, or Transparency Agreement, went into effect on March 20, 2017. Warmly welcomed by U.S. and foreign investors alike, it will establish clear processes for drafting and commenting on new legislation and regulations and require strict transparency related to laws involving trade and investment. A copy of the Transparency Agreement is available here.

Second, in 2017 the GOM and the International Monetary Fund (IMF) reached an agreement on a comprehensive USD $5.5 billion package that will not only stave off default on Mongolia’s large public debt, but also bring with it necessary discipline and budget reforms, as well as a detailed banking assessment. The IMF agreement has enabled the GOM to refinance on the international market bonds that came due in 2017, a more attractive and politically palatable alternative to relying exclusively on Chinese financing. Although investors recognize that the
IMF program’s budget tightening will initially dampen economic growth, they praise the GOM’s commitment to reform its fiscal and borrowing practices, improve its banking sector, and complete long-delayed regulatory reforms. The IMF and the Mongolian government anticipate low, flat economic growth in 2017 and 2018, but expect higher sustainable growth to return in 2019.

The GOM’s commitment to taking these bold, pragmatic steps could help create and nurture a business-enabling environment, but U.S. and foreign investors continue to call for further efforts, including: (1) rooting out the pervasive corruption that threatens the foundational institutions of Mongolian democracy; (2) creating in reality the judicial independence the Mongolian constitution establishes in principle; (3) facilitating the emergence of private sector small- and medium-sized enterprises as the primary engine of economic diversification; (4) putting in place a more transparent, inclusive, and effective rule-making process for drafting and implementing commercial legislation; (5) modernizing traditional Mongolian business sectors such as agriculture and animal husbandry; and (6) improving Mongolia’s physical infrastructure.

Challenges notwithstanding, there is significant longer term upside to the Mongolian investment climate. Promising signs include recently implemented legislation and programs to support large-scale development of the domestic agriculture sector, the second largest contributor to GDP and employment after mining. Agriculture and animal husbandry, along with renewable energy, are sectors in which Mongolia has natural advantages and which provide promise for economic diversification while offering significant opportunities for U.S. exporters of goods, services, and technologies.

Table 1

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<th>Measure</th>
<th>Year</th>
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<td>TI Corruption Perceptions Index</td>
<td>2016</td>
<td>87 of 175</td>
<td>Index</td>
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Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Over the last four years, Mongolia has suffered from a combination of declines in the value of its key commodity exports of coal and copper and policy missteps. These missteps have led the Government of Mongolia (GOM) to seek financial support from an International Monetary Fund (IMF)-led group of organizations and bilateral donors to cover budget shortfalls and sovereign debts. Starting in 2017, this three-year program will require significant budget tightening and increased fiscal discipline. Consequently, the GOM is limited in its capacity to financially support investment projects in important sectors, most notably mining and agriculture; and relies on foreign direct investment (FDI) to support its broad economic and development agendas.
The GOM has publicly pledged to support FDI and taken significant measures that confirm this commitment. It has reaffirmed support for the investment agreements that established the Oyu Tolgoi copper/gold mega-mine project, repealed potentially onerous certificate of origin requirements for imports in response to U.S. Embassy, AmCham, and U.S. company complaints, reduced the use of prosecutorial “exit bans” against foreign business executives (although these continue to be a source of concern), and moved to bring into force and implement the U.S.-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment. This Agreement allows investors and exporters to review and comment on legislation and regulations affecting trade and commerce before they are approved. A copy of the Transparency Agreement is available here.

Investors have expressed appreciation for these positive steps, but question whether this recent progress indicates broader and more permanent progress. In late 2016, the GOM closed the Invest Mongolia Agency (IMA), which had promoted Mongolian investment opportunities abroad and assisted foreign investors with obtaining tax stabilization, corporate registrations, and investment dispute resolutions with the government. The IMA replacement, the new National Development Agency, is supposed to issue tax stabilization certificates but has not implemented a process for doing so. The previous IMA support functions are no longer available to foreign investors from the GOM. In conjunction with the International Finance Corporation and the World Bank, the GOM has promised, but not yet established, an Investor Dispute Resolution Council. In addition, the Prime Minister’s Office maintains an Investors Advisory Council, which occasionally includes representatives from the foreign investment community.

Investors are also concerned that the GOM has not yet fulfilled public commitments to adequately reform or completely eliminate the practice of barring foreign and Mongolian nationals involved in a commercial dispute from leaving Mongolia, commonly referred to as an exit ban. Other concerns that investors point to include stalled GOM negotiations over key infrastructure projects, lack of progress on construction of power plants, and the absence of an agreement with a consortium to exploit the Tavan Tolgoi mega-coking coal mine, as reasons for skepticism about Mongolia’s ability to provide a business-enabling environment. They also cite stagnant global commodity prices as a disincentive to invest in Mongolia’s
mining sector and other sectors, including construction, real estate, and IT, that depend on mining sector activity for profitability. Investors approve of GOM plans to diversify the economy from overreliance on the volatile mining sector - with the agricultural and livestock sectors being the most important diversification targets - but are concerned about the government’s slow progress to craft and implement practical diversification strategies.

Broadly, there is no systemic, institutional effort to impose laws and practices that discriminate against foreign investors in general or U.S. investors in particular - with two key exceptions. First, foreign investors object to the regulatory requirement that they invest a minimum of USD $100,000 to establish a venture when the Investment Law of Mongolia states that all investors in Mongolia, without reference to nationality, are subject to national treatment. In contrast, Mongolian investors are not subject to investment minimums. Second, foreign nationals and companies may not own real estate; only Mongolian adult citizens can own land. While foreign investors may obtain use rights for the underlying land, these rights expire after a set number of years, with no automatic right of renewal.

Various international financial institutions (IFI) active in Mongolia have helped the country improve its standing as a destination for FDI. The European Bank for Reconstruction and Development (EBRD) has invested nearly USD $2 billion in the country, mostly in projects designed to facilitate private sector growth in the mining, energy, financial, agri-business, and retail sectors. The Asian Development Bank's USD $700 million project portfolio largely complements EBRD efforts in its focus on the transportation, energy, urban utilities and services, education, and health sectors. The International Finance Corporation and the World Bank have committed several hundred million dollars to projects that support infrastructure development, employment generation, economic diversification as well as the institutional strengthening of the mining sector. Other UN agencies and NGOs also make significant contributions to making Mongolia more accommodating to FDI either as their primary missions or as secondary aspects of their programming.

In line with these IFI investment-support projects, the U.S. government, GOM, and international NGO Mercy Corps have launched a USD $10 million program to stimulate production and export opportunities in the domestic livestock economy. The project works
with herders, meat processors, downstream customers, U.S. technology suppliers, government organizations, and veterinarians to produce high quality, organic Mongolian meat products meeting international export standards.

**Limits on Foreign Control and Right to Private Ownership and Establishment**
The Constitution limits the right to privately own land to adult citizens of Mongolia. However, no formal law exists vesting Mongolia’s pastoral nomadic herders with exclusive rights of pasturage, control of water, or land rights. As such, rural municipalities unofficially recognize that traditional, customary access to these resources by pastoralists must be taken into account before, during, and after other non-resident users, particularly but not exclusively those in the mining sector, can exercise their use and ownership rights. Both foreign and domestic investors have the same rights to establish, 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.

**Other Investment Policy Reviews**
The GOM conducted an investment policy review through the United Nations Conference on Trade and Development (UNCTAD) in 2013 and a trade policy review with the World Trade Organization (WTO) in 2014. Although the Organization for Economic Cooperation and Development (OECD) has not conducted a comprehensive investment policy review of Mongolia in the past three years, it has completed economic studies on specific aspects of investment and development in Mongolia.

For the [UNCTAD Mongolia investment policy review](#).

For the [WTO Mongolia investment policy review in the context of a Trade Policy Review](#).

For the [OECD Mongolia reports](#).
Business Facilitation
In its 2013 Investment Policy Review of Mongolia, UNCTAD reported that to diversify and facilitate FDI beyond mining, Mongolia needed to comprehensively reform FDI policies to include clear “developmental objectives.” Legislation and regulation should be reformed so as to reflect an “open stance and practice” to FDI. The GOM’s limited institutional capacity requires enhancement to better implement and enforce effective, efficient regulations. As of 2017, Mongolia has yet to adopt these recommendations and has not applied UNCTAD’s ten investment facilitation guidelines to create a consistently transparent, predictable, efficient, and open regime to facilitate FDI. A copy of the UNCTAD report is available online.

However, consistent with the World Bank’s 2016 Doing Business Report, investors report that Mongolia’s business registration process is reasonable efficient and clear. All enterprises, foreign and domestic, must register with the General Authority for Intellectual Property and State Registration (GAIPSR). Registrants obtain form UB 03-II and other required documents from the website and can submit completed documents by email. GAIPSR aims at a two-day turnaround for the review and approval process, but investors report that complex cases can take anywhere from several weeks to three months. Once approved by GAIPSR, a company must register with the Mongolian General Authority Taxation (GTA). Upon hiring its first employees, a company must register with the Social Insurance Agency. GAIPSR reports that notarization is not required for its registration process.

Outward Investment
Although the GOM neither promotes nor incentivizes outward investment, it does not restrict domestic investors from investing abroad.

Bilateral Investment Agreements and Taxation Treaties
The United States and Mongolia signed a Bilateral Investment Treat (BIT) in 1994, with the agreement entering into force in 1997. The BIT states that the agreement will protect U.S. investors and assist Mongolia in its efforts to develop its economy by creating conditions more favorable for U.S. private investment and thus strengthening the development of the private sector. More information on the BIT is available from the Department of State’s website.
In January 2017, the two countries certified completion of their respective applicable legal requirements and procedures for the U.S.-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, or Transparency Agreement, which came into effect on March 20, 2017. It sets out clear processes for drafting and commenting on new legislation and regulations and requires strict transparency related to laws involving trade and investment. A copy of the U.S.-Mongolia Transparency Agreement is available [here](#).

Mongolia and the United States have no bilateral tax or free-trade agreements.

Mongolia has also signed an Economic Partnership Agreement (EPA) with Japan, which entered into effect in June 2016. For details on the EPA, please see the Japanese Ministry of Finance [website](#). In 2016, Mongolia and Canada signed a Foreign Investment Promotion and Protection Agreement (FIPA) which entered into force on March 7, 2017. For the FIPA text, please see the Canadian government [website](#). In 2016, Mongolia and the Republic of Korea agreed to launch talks on a Free Trade Agreement in 2017.

Information regarding the various other investment agreements that Mongolia has signed is available from the UNCTAD [website](#).

**Legal Regime**

**Transparency of the Regulatory System**

In September 2013, the United States and Mongolia signed the U.S.-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, or Transparency Agreement (TA). The agreement marked an important step in developing and broadening the economic relationship between the two countries. The TA makes it easier for U.S. and Mongolian firms to do business by guaranteeing 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, improving transparency and making it easier for foreign investors to operate in the country. Parliament ratified the TA in December 2014, the United States and Mongolia certified that their respective applicable legal requirements and procedures were
completed in January 2017, and the TA entered into force on March 20, 2017. Mongolia has five years to implement the TA fully. A copy of the U.S.-Mongolia Transparency Agreement is available here.

Coming into force on January 1, 2017, the new Law on Legislation (LL) aligns Mongolia’s legislative processes with its TA obligations. The LL clarifies who has the right to draft legislation, the format of these bills, the respective roles of GOM and Parliament, and the procedures for obtaining and employing public comment on pending legislation. The LL states that law initiators - i.e., Members of Parliament, the President of Mongolia, or the Cabinet of Mongolia - may introduce laws and amendments to existing statutes. To initiate legislation, the initiator must fulfill the following criteria: (1) provide a clear process for both developing, and justifying the need for, the draft legislation; (2) set out methodologies for estimating costs to the government related to the draft law’s implementation; (3) evaluate the impact of the legislation on the public once implemented; and (4) conduct public outreach before submitting legislation to the public. The LL requires that both the Head of the Cabinet Secretariat and the Head of the Parliament Secretariat certify that the law initiator has complied with these requirements before Parliament officially accepts legislation for consideration.

To justify draft legislation and account for its costs and impacts, initiators must conduct studies that clearly demonstrate the need for, and consequences of, a new law. The initiator may reach out to government experts or contract with citizens and such legal entities as professional associations or civil society organizations for data-based information. Initiators must also submit draft legislation to the Cabinet and affected GOM ministries for comment and review as a precondition for receiving certification from the Head of the Cabinet Secretariat that the legislation complies with the LL.

The LL requires that law initiators obtain public comment by posting draft legislation and required reports evaluating costs and impacts on Parliament’s official website at least thirty days prior to submitting it to Parliament. These posts must explicitly state the time period for public comment and review. In addition, initiators must solicit comments in writing, organize public meetings and discussions, seek comment through social media, and carry out
public surveys. No more than thirty days after the public comment period ends, the initiator must prepare a matrix of all comments, including those used to revise the legislation as well as those not used. This matrix must be posted on Parliament’s official web site. After passage of a new law, Parliament is responsible for monitoring and evaluating both the implementation and impact of the legislation.

Publically listed Mongolian companies adhere to International Financial Reporting Standards (IFRS). As with statutory requirements for transparent law making, regulations for accounting, legal, and regulatory procedures also require transparent processes for consistent implementation, and are sometimes (but not always) consistent with international norms and best practices. The business community and legal experts have criticized legal, regulatory, and accounting practices that are non-transparent, vague, or poorly worded in Mongolian and English translations, as well as inconsistently enforced. Domestic and foreign investors claim these domestic practices are largely aimed at extracting revenue for both the government and individuals, and occasionally to injure a company that may be competing against a state-owned or influential private entity. Consequently, some investors have concluded that the Mongolian government does not use transparent laws and regulations to create a level playing field for either foreign or domestic competitors. However, investors have expressed some hope that the TA and the recently passed raft of transparency-based legislation will give them leverage in dealing with GOM regulators.

The General Administrative Law, Article 6, (GAL) brings Mongolia’s regulatory drafting process into line with its Transparency Agreement obligations. Parliament specifies in the text of each statute the specific ministry responsible for administering the law, which includes drafting of regulations. The designated ministry creates a ministerial working group that may also include representatives of other ministries affected by the statute. Regulatory drafts must also be reviewed by the Ministry of Justice and Home Affairs to ensure consistency with other statutes and the Constitution of Mongolia. GAL requires regulations to use scientific or data-driven assessments to assess the costs and impact of the proposed rules. GAL also requires ministries, agencies, and provincial governments to seek public comment by posting draft regulations on their respective websites for at least thirty days and by holding public hearings, following the rules set out in the 2015 Public Hearing Law. The drafting entity must
record, report, and respond to the public comment. The Ministry of Justice and Home Affairs must certify that each regulatory drafting process complies with the GAL before the regulations enter into force. After approval, the relevant government agency is responsible for monitoring and evaluating both the implementation and impact of the regulations.

Designated implementing agencies, such as the Mineral Resources Authority, the General Tax Authority, or the General Agency for Specialized Inspections, have statutory responsibility for enforcing regulations. These agencies use administrative remedies to enforce most regulations, including but not limited to seizing contraband, suspending or cancelling use rights and permits, or freezing financial assets. In addition to these administrative remedies, organizations responsible for criminal enforcement, such as the National Police, may enforce regulations using such criminal penalties as imprisonment if the regulatory infraction is deemed to rise to the level of a crime. The public can contest administrative enforcement acts under the 2002 Law on Procedure for Administrative Cases (LPAC). LPAC gives disputants the right to a hearing from the Administrative Court of Mongolia based in Ulaanbaatar. However, LPAC requires that parties first mediate the dispute with the relevant regulatory authority before seeking judicial remedy. Once the Administrative Court rules, either party can appeal the decision to the Supreme Court of Mongolia.

International Regulatory Considerations
Mongolia is not part of any regional economic block, but often seeks to adapt and adopt European standards and norms in areas such as construction materials, food, and environmental regulations, and looks to U.S. standards for activity in the petroleum sector, while adopting a combination of Australian and Canadian standards and norms in the mining sector. There is also a tendency for Mongolia to attempt to sync its customs and transport standards to China’s, its primary trade partner.

Mongolia, a member of the WTO, asserts that it will notify the WTO Committee on Technical Barriers to Trade (TBT) of all draft technical regulations; however, as demonstrated by the recent failure to notify TBT about changes in the process for using certificates of origin, Mongolia does not always comply with that commitment.
Legal System and Judicial Independence

Mongolia has adopted a hybrid Civil Law-Common Law system of jurisprudence. Trial judges may use prior rulings to adjudicate cases similar to those that have come before them but are not obliged to respect legal precedent as such. Mongolian laws, and even their implementing regulations, often lack the specificity needed for consistent interpretation and application. Experienced and dedicated judges do their best to rule in the spirit of the law in routine matters. However, statutory and regulatory vagueness invites corruption within the underfinanced and understaffed judiciary, especially in cases where large sums of money are at stake, or where large foreign corporations are in court against domestic government agencies or well-connected private Mongolian citizens.

Mongolia has a specialized law for contracts but no dedicated law for commercial activities. Contractual disputes are usually adjudicated in Mongolia’s district court system. Disputants may appeal cases to the City Court of Ulaanbaatar and ultimately to the Supreme Court of Mongolia. Mongolia has in place several specialized administrative courts authorized to adjudicate cases brought by citizens against official administrative acts. Disputants may appeal administrative court decisions to higher trial courts. Mongolia has a Constitutional Court, dedicated to ruling on constitutional issues. The General Executive Agency for Court Decisions (GEACD) enforces court decisions.

The Mongolian constitution specifies that non-judicial elements of the GOM “shall not interfere with the discharge of judicial duties” by the judicial branch. The Judicial General Council (JGC), composed of respected jurists, is charged with the constitutional duty of ensuring the impartiality of judges and independence of the judiciary. However, the council lacks express authority to investigate allegations of judicial misconduct or to impose disciplinary measures on judges or other judicial sector personnel. Mongolian law recently required judges to maintain membership in the Mongolian Bar Association (MBA), but some judges actively oppose that requirement with the result that the MBA is no better positioned than the JGC to police the judiciary.

The legislative branch interfered directly with the judicial branch in 2016 when Mongolia’s Constitutional Court ruled that four provisions of a subsidized residential mortgage program
were unconstitutional. Following the program’s suspension, then Parliament Speaker Z. Enkhbold issued a statement that “the Parliament will annul the decision of the Constitutional Court and restore the original law with the same provisions as before.” Parliament thereupon voted in special session to dismiss the presiding justice of the court, paving the way for re-adoption of the original legislation and re-establishment of the mortgage subsidy program.

Legal experts believe Parliament had no authority under Mongolian law to dismiss the presiding justice. Even Members of Parliament who supported his ouster did so to keep the very popular mortgage program in place and readily admit that the speaker effectively engineered an assault on the court’s independence.

Legal experts believe that Mongolian substantive law also invites judicial corruption through weak distinctions between the branches of the GOM, which allows unconstitutional over-reach. The thinly staffed GEACD is charged with all aspects of implementing the decisions and verdicts of Mongolia’s civil and criminal courts. GEACD is responsible for operating prisons, garnishing wages, impounding moveable property, and much more. But GEACD personnel do not report to the JGC or directly to the courts, but to the Ministry of Justice and Home Affairs (an element of the executive branch). The GEACD works closely on a functional level with the Office of the Prosecutor General, an independent agency run by a presidential appointee. However, its funding is provided by Parliament. The strong influence of Mongolian prosecutors on Mongolian courts is well documented. Mongolian courts, for example, rarely dismiss charges over the objection of the prosecution or otherwise enter defense verdicts even after trial. As a result of this convoluted chain-of-command, the GEACD can function as a conduit of potentially inappropriate communication from most any interested corner of the GOM to the judiciary.

**Laws and Regulations on Foreign Direct Investment**

2016 saw no major changes in the 2013 Investment Law of Mongolia. The Investment Law frames the general statutory and regulatory environment for all investors in Mongolia. Under the law, foreign investors can access the same investment opportunities as Mongolian citizens and receive the same protections as domestic investors. Investor residence, not nationality, determines whether an investor is foreign or domestic. The law also provides for a more stable tax environment and provides tax and other incentives for investors. Accordingly, most
Investments by private foreign individuals or firms residing in Mongolia need only be registered with the General Authority for Intellectual Property and State Registration (GAIPSR).

The Investment Law offers tax incentives in the form of transferrable tax stabilization certificates which give qualifying projects favorable tax treatment for up to 27 years. Affected taxes may include the corporate income tax, customs duties, value-added tax, and mineral resource royalties. The criteria for participation in the tax stabilization program are transparent and include the amount of investment, the sector involved, and the geographic area involved. For information on tax stabilization certification, see the website.

The law created a one-stop shop for investors, the Invest Mongolia Agency, but the current government cancelled this program in September 2016. The new National Development Agency is to issue tax stabilization certificates but has not implemented a process for doing so. The remaining IMA support functions are no longer available to foreign investors from the GOM. In conjunction with the International Finance Corporation and the World Bank, the GOM has promised, but not yet established, an Investor Dispute Resolution Council. In addition, the Prime Minister’s Office maintains an Investors Advisory Council, which occasionally includes representatives from the foreign investment community.

While foreign investors report they appreciate the intent of the Investment Law, they note that its implementation does not always deliver the promised national treatment, specifically in two areas. First, foreign nationals and companies may not own real estate; only Mongolian adult citizens can own land. While foreign investors may obtain use rights for the underlying land, these rights expire after a set number of years, with no automatic right of renewal. Second, foreign investors object to the regulatory requirement that they invest a minimum of USD $100,000 to establish a venture. Although the Investment Law has no such requirement, GOM regulators have unilaterally imposed it on all foreign investors. In contrast, Mongolian investors are not subject to investment minimums.
Competition and Anti-Trust Laws

Mongolia’s Agency for Fair Competition and Consumer Protection (AFCCP) reviews domestic transactions for competition-related concerns. For a description of the AFCCP and its legal and regulatory powers, see the UNCTAD website and the AFCCP website.

Expropriation and Compensation

Although Mongolia generally respects property rights, the Mongolian government and Parliament may exercise eminent domain in the national interest. Mongolian state entities at all levels are authorized to confiscate or modify land use rights for purposes of economic development, national security, historical preservation, or environmental protection. However, Mongolia’s constitution recognizes private real property rights and derivative rights, and Mongolian law specifically bars the GOM from expropriating such assets without payment of adequate market-based compensation. Investors express little disagreement with such takings in principle, but worry that a lack of clear lines of authority among the central, provincial, and municipal levels of government creates occasions for loss of property rights. For example, the 2006 Minerals Law (amended in 2014) provides no clear division of local, regional, and national jurisdictions for issuances of land use permits and special use rights. Faced with unclear lines of authority and frequent differences in practices and interpretation of rules and regulations by different levels of government, investors can find themselves unable to fully exercise duly conferred property rights. The GOM has acknowledged this, but has not yet taken effective steps to remedy it.

Many of the cases alleging expropriation involve court expropriations after criminal trials in which the investors were compelled to appear as “civil defendants” but were not allowed to fully participate in the court proceedings. In these cases a GOM official is usually convicted of corruption and sentenced to prison, and the trial court judge then orders the foreign civil defendant to surrender a license or pay a tax penalty or fine for having received an alleged favor from the criminal defendant. In ongoing disputes involving several foreign investors, among them U.S. companies, the courts have taken property or revoked use licenses despite an absence of evidence the property or licenses were derived from corruption.
Investors and the legal community have expressed concerns about an act of Parliament they perceive as expropriation. In June 2016, a privately-held Mongolian company, using some U.S.-sourced financing, bought 49 percent of Mongolian state-owned Erdenet Mining Corporation from the Russian state-owned company Rostec. The non-transparent sale of this mining asset generated public controversy. Parliament subsequently nullified the transaction on February 10, 2017, and ordered seizure of the Mongolian company’s shares. While investors and legal experts do not dispute Parliament’s powers under the Constitution and statute to nationalize property, so long as compensation is provided, they state that Parliament has no authority to undo a business transaction between two non-government or foreign parties. They argue that Parliament’s claim undermines the sanctity of contracts and may well inhibit investment into other projects.

**Dispute Settlement**

Mongolia has ratified the Washington Convention and has joined the International Centre for Settlement of Investment Disputes (ICSID) in 1991. It also signed and ratified the New York Convention in 1994. The government of Mongolia has accepted international arbitration in several disputes.

**Investor-State Dispute Settlement**

*The U.S.-Mongolia Bilateral Investment Treaty (BIT)* entered into force in 1997. Under this BIT, the two countries have agreed to respect international legal standards for state-facilitated property expropriation and compensation matters involving nationals of either country. The BIT effectively provides an extra measure of protection against financial loss for U.S. nationals doing business in Mongolia. In at least one expropriation case, however, the GOM restored a mining license it had unilaterally modified years previously, but declined to pay compensation for undisputed financial loss as required by the BIT and independently required by the domestic law specifically cited in rendering the modification. Under the BIT, such uncompensated expropriation is appealable through arbitration proceedings. However, the cost of arbitration can make it impractical for aggrieved parties.

The number of investment disputes involving foreigners in Mongolia is unknown. Fearing to jeopardize future opportunities in Mongolia, some U.S. and foreign investors quietly pursue or
even abandon potentially sensitive projects, especially those involving a GOM interest. Some investors report that GOM entities have solicited bribes in order to pre-empt or resolve particular investment disputes with foreign interests.

In disputes involving the GOM, investors report government interference in the dispute resolution process, both administrative and judicial. Foreign investors describe three general categories of disputes that invite such interference. The first comprises disputes between private parties before a GOM administrative tribunal. In these cases, a Mongolian private party may exploit contacts in government, the judiciary, law enforcement, or the prosecutor’s office to coerce a foreign private party to accede to demands. The second category involves disputes between investors and the GOM directly. In these cases, the GOM may claim a sovereign right to intervene in the business venture, often because the GOM itself is operating a competing state-owned enterprise (SOE) or because officials have undisclosed business interests. The third category involves Mongolian tax officials or prosecutors levying highly inflated tax assessments against a foreign entity and demanding immediate payment, sometimes in concert with imposition of exit bans on company executives or even the filing of criminal charges.

Investors have reported to us that local courts recognize and enforce arbitral decisions, but that problems exist with enforcement. The thinly staffed General Executive Agency for Court Decisions (GEACD) is charged with implementing the decisions and verdicts of Mongolia’s civil and criminal courts. GEACD employees often live in the jurisdictions in which they work, and are subject to pressure from friends and professional acquaintances. A complicated chain-of-command and opportunities for conflicts of interest can weaken GEACD’s resolve to execute court judgments on behalf of foreign and domestic interests.

*International Commercial Arbitration and Foreign Courts*

Although investors voice concern that the GOM may choose to ignore international arbitration decisions, the GOM has consistently declared it will honor arbitral awards. In 2016, the GOM and Canadian uranium mining company Khan Resources settled a high-profile expropriation
The parties settled for USD $70 million and Mongolia paid Khan Resources in May 2016.

To improve Mongolia-based international arbitration, Parliament passed a new Arbitration Law in January 2017. Based on the United Nations Commission on International Trade Law (UNCITRAL), the Arbitration Law provides a clearer set of rules and protections for Mongolia-based arbitration. The law does not, however, designate any particular organization for use by all disputants, and has yet to be used by a foreign entity, to our knowledge. Any organization that satisfies specific requirements set out in the law can provide arbitral services. This change breaks the monopoly on domestic arbitration held by the Mongolian National Chamber of Commerce and Industry (MNCCI), which many investors criticized as politicized, unfamiliar with commercial practices, and too self-interested to render fair decisions. Foreign investors tell us that they prefer international arbitration, but might consider domestic arbitration if they now have options other than MNCCI.

The new law also limits the role of Mongolia’s courts in the arbitration process. Previously, disputants could appeal to Mongolia’s civil courts if the results of “binding arbitration” were not to their liking. The new arbitration law limits parties to a single appeal only to Mongolia’s Court of Civil Appeals in Ulaanbaatar (CCA). The CCA can only reject an arbitration judgment for “serious” procedural failings or discrepancies with official public policy initiatives.

As reported in the section on Investor-State Dispute Settlement, local courts will recognize both foreign and domestic arbitral awards and order the General Executive Agency for Court Decisions to enforce them, although collection may be slowed or even sabotaged for the reasons described above.

Foreign investors perceive a bias against them if they pursue legal action against a Mongolian SOE. To our knowledge no foreign plaintiff has prevailed against an SOE in Mongolia’s courts. Mongolia-based legal experts relate that foreign investors and exporters are likely to experience preemptory, non-transparent court processes up to outright discrimination by judges. Most investors and legal experts advise using other dispute resolution mechanisms when confronting Mongolian SOEs.
Bankruptcy Regulations

Mongolia’s bankruptcy law defines bankruptcy as a civil matter. Mongolian law mandates the registration of mortgages and other debt instruments backed by real estate, structures, immovable collateral (mining and exploration licenses and other use rights); and, after March 2017, movable property (cars, equipment, livestock, receivables, and other items of value). However, even though the law allows for securitizing movable and immovable assets, local law firms hold that the bankruptcy process remains too vague, onerous, and time consuming to make it practical. Mongolia’s Constitution and statutes allow contested foreclosure and bankruptcy only through judicial (rather than administrative) proceedings. Local business and legal advisors report that proceedings usually require no less than 18 months, with 36 months not uncommon. Investors and legal advisors state that a lengthy appeals process and perceived corruption and government interference can create years of delay. Moreover, while in court, creditors face suspended interest payments and limited access to the asset.

Industrial Policies

Investment Incentives

The GOM generally offers the same tax preferences to both foreign and domestic investors. The GOM occasionally grants tax exemptions for imports of essential fuel and food products or for imports in certain targeted sectors, such as agriculture or energy. Such exemptions can apply to Mongolia’s five percent import duty and ten percent value-added tax (VAT). In addition, the GOM occasionally extends a ten percent tax credit on a case-by-case basis to investments in key sectors such as mining, agriculture, and infrastructure. Under the Investment Law, foreign-invested companies properly registered and paying taxes in Mongolia are considered domestic Mongolian entities, thus qualifying for investment incentive packages that, among other benefits, include tax stabilization for a period of years. In 2014 Parliament authorized the central bank, the Bank of Mongolia (BOM), to waive 7.5 percent of the ten percent royalty payments that gold miners must pay when selling gold to the BOM and Mongolian commercial banks through 2017. The GOM intends to extend this program and to underwrite low-interest loans from commercial banks for small- to medium-sized gold mines that commit to selling gold to the BOM.
Investors should note that an impending three-year International Monetary Fund Program, set to begin in first half of 2017, may require the GOM to curtail lending and tax incentive programs as part of a fiscal austerity program.

Foreign Trade Zones/Free Ports/Trade Facilitation
The Mongolian government launched a 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 in the town of Altanbulag; the other in the south at the Chinese-Mongolia border in the town of Zamiin-Uud. Both FTZs are relatively inactive, still pending development. A third FTZ is located at the port of entry of Tsagaan Nuur in the far western province of Bayan-Olgii bordering Russia. Mongolian officials also suggest that the New Ulaanbaatar International Airport (NUBIA), expected to commence operations in 2018, may host an FTZ. As first noted in the April 2004 USAID sponsored Economic Policy Reform and Competitiveness Project, benchmarking Mongolia’s FTZ program against current successful international practices shows deficiencies in the legal and regulatory framework as well as in the process to establish FTZs. In addition, Mongolian FTZs lack implementing regulations based on international best practices. Further, due diligence, including a cost-benefit analysis, has never been completed for the FTZs, nor has sufficient funding been mobilized for on-site infrastructure requirements. Finally, these shortcomings may lead to “hidden costs” or subsidies that the government of Mongolia did not foresee.

Performance and Data Localization Requirements
Mongolia imposes no legal requirement for foreign investors to use local goods, services, or equity, or to 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, and local use rights. There are no onerous or discriminatory visa, residence, or work permit requirements imposed on U.S. investors - although foreign firms must meet certain local hire requirements. Neither foreign nor domestic businesses need purchase from local sources, export a certain percentage of output, or use foreign exchange to cover exports.
The GOM strongly encourages but does not legally compel domestic sourcing of material inputs in Mongolia, especially for firms engaged in natural resource extraction. The 2014 Amendments to the 2006 Minerals Law of Mongolia state that holders of exploration and mining licenses should preferentially supply extracted minerals at market prices to Mongolian processing facilities and should procure goods and services and hire subcontractors from business entities registered in Mongolia. Although there are no formal enforcement procedures to ensure local sourcing, investors occasionally report that central, provincial, or municipal governments slow down permitting and licensing until domestic and foreign enterprises make some effort to source locally. The GOM’s encouraging of the hiring of Mongolians becomes essentially a legal requirement when combined with the GOM requirement that individual employers seeking work visas for foreign employees demonstrate that their workforces comprise the same percentage of domestic hires that are suggested in Mongolia’s procurement law. A long-pending draft labor law, if adopted in fall of 2017, would clarify the extent to which these target percentages are mandatory.

Despite pressure to source locally, foreign investors generally set their own export and production targets without concern for government imposed targets or requirements. Mongolia has no requirement to transfer technology. The government generally imposes no offset requirements for major procurements. Certain tenders and projects on strategic mineral deposits may require specific levels of local employment, procurement, or commitments to fund certain facilities or training opportunities as a condition of the tender or project; however, such conditions are not the norm. Investors, not the Mongolian government, make arrangements regarding technology, intellectual property, and similar resources, and may generally finance as they see fit. Except for a currently unenforced provision of the amended Minerals Law of Mongolia requiring mining companies to list ten percent of the shares of the Mongolian mining company on the Mongolian Stock Exchange, foreign-invested businesses are not required to sell shares to Mongolian nationals. Equity stakes are generally at the discretion of investors, Mongolian or foreign.

In cases where investments are determined to have national impact or raise national security concerns, the GOM may restrict the type of financing that foreign investors may obtain, their choice of partners, or to whom they sell shares or equity stakes. Investors and local legal
experts note that the system by which the GOM regulates these transactions lacks a clear statutory basis and transparent, predictable regulatory procedures.

Investors can locate and hire workers without using hiring agencies as long as hiring practices follow the Mongolian Law on Labor. Mongolian law requires companies to employ Mongolian workers in certain labor categories where it has been determined that a Mongolian can perform the task as well as a foreigner. This law generally applies to unskilled labor categories and not fields in which a high degree of technical expertise not existing in Mongolia is required.

The GOM has no forced localization policy for data storage; no legal requirements for IT providers to turn over source code or to provide access for surveillance; and no rules or mechanisms for maintaining a certain amount of data storage at facilities within the territory of Mongolia.

Protection of Property Rights

The Mongolian Constitution provides that “the State shall recognize any forms of public and private properties.” The Constitution limits real estate ownership to adult citizens of Mongolia, though that limitation does not apply to “subsoil,” a term that is not expressly defined in the Constitution. Mongolian civil law allows private Mongolian citizens or government agencies to assume property ownership or use rights if the current owner or holder of use rights does not use the property or the rights. In the case of use rights, revocation and assumption is almost always written into the formal agreements covering the rights. Squatters may also under certain circumstances claim effective property ownership of unused structures.

Although foreigners and non-resident investors may own structures and obtain use rights to land, only Mongolian citizens may own real estate. Ownership of a structure vests the owner with control over the use rights of the land upon which the structure sits. Use rights are granted from periods of three to sixty years depending on the particular use right. Although Mongolia has a well-established register for immovable property - structures and real estate -
it lacks a central register for use rights; consequently, investors, particularly those seeking to invest in rural Mongolia, have no easy way to learn who might have conflicting rights. Complicating matters, Mongolia’s civil law system has yet to develop a formal process for apportioning multiple use rights on adjacent lands or adjudicating disputes arising from conflicting use rights.

Mongolian law does allow creditors to recover debts by seizing and disposing of property offered as collateral. Mongolian law mandates that mortgages and other debt instruments backed by real estate, fixed structures, and other immovable collateral be registered with the Immovable Property Office of the General Authority for Intellectual Property and State Registration (GAIPSR). Beginning in March 2017, Mongolian law allows movable property (cars, equipment, livestock, receivables, and other items of value) to be registered with GAIPSR as collateral. Investors report that the Immovable Property registration system is generally reliable, but the Movable Property system is new and just beginning its implementation. At this point, the GOM has no accurate figure for land with clear titles.

**Intellectual Property Rights**

Mongolia supports intellectual property rights (IPR) in general, and as member of the World Intellectual Property Organization (WIPO) 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). Mongolia’s Parliament has yet to ratify the WIPO internet treaties. Nevertheless, the Mongolian government and its intellectual property rights enforcer, GAIPSR, make a good faith effort to comply with these agreements. For additional information on IPR protection, see [website](#).

Under TRIPS and Mongolian law, the Mongolian Customs Authority (MCA) and the Economic Crimes Unit of the National Police (ECU) also have an obligation to protect IPR. MCA can seize shipments at the border. The ECU has the exclusive power to conduct criminal investigations and bring criminal charges against IPR violators. GAIPSR has the administrative authority to investigate and seize pirated goods. Of these agencies, GAIPSR makes the most consistent efforts to fulfill Mongolia’s treaty commitments. It generally has an excellent record of protecting U.S. trademarks and copyrights; however, tight resources limit the GAIPSR’s ability to act. In most cases, when a rights holder files a complaint, GAIPSR
investigates. If it judges that an abuse has occurred, it has in every case so far seized the pirated products under its administrative powers granted under Mongolian law. Mongolia does not publicize figures of seizures of IPR violating contraband.

The U.S. Embassy is aware of two particular areas in which enforcement lags. First, legitimate software products remain rare in Mongolia, with GAIPSR estimating in early 2017 that at least 85 percent of the domestic market uses pirated software. GAIPSR enforces the law where it can but the scale of the problem dwarfs its capacity to deal with it. Second, pirated optical media are also readily available and subject to spotty anti-piracy enforcement. The growth of online downloads of pirated digital media by individuals, local Mongolian TV stations using pirated videos, radio broadcasters playing pirated music, and cellular service providers offering pirated ringtones has eclipsed local production and imports of fake CDs, videos, and DVDs. GAIPSR acknowledges that most local public and privately held TV stations, some 184 at latest count, regularly broadcast pirated materials; however, GAIPSR hesitates to move on these broadcasters, most of which are connected to major government or political figures. GAIPSR rarely initiates action on its own without prompts from rights holders.

Resources for Rights Holders

Contact at the U.S. Embassy in Ulaanbaatar Economic and Commercial Section; +976-7007-6001 or Ulaanbaatar-Econ-Comm@state.gov. For additional resources on protecting IPR in Mongolia, please see the American Chamber of Commerce in Mongolia website. The U.S. Embassy also provides a list of attorneys available here.

For additional information about national laws and points of contact at local IP offices, please see WIPO’s country profiles.
Financial Sector

Capital Markets and Portfolio Investment

Mongolia is developing the experience and expertise needed to sustain portfolio investments and active capital markets. The GOM has reported that it wants to establish vibrant capital markets, and seeks to use the state-owned Mongolian Stock Exchange as the primary venue for generating capital and portfolio investments. To achieve this goal, Parliament passed the Revised Securities Market Law (RSML), which most investors believe creates a sufficient regulatory apparatus for these activities. However, most foreign investors shy away from investing in the Mongolian Stock Exchange because it lacks the regulatory capacity, accountability, transparency, and liquidity to effect proper capital formation and portfolio investments. GOM imposes few restrictions on the flow of capital into and out of any of its markets.

Money and Banking System

Of the 13 commercial banks currently operating in Mongolia, there are four large banks that are majority owned by both Mongolian and foreign investors. These banks - Golomt, Khas, Trade and Development Bank, and Khan Bank - collectively hold approximately 80 percent of all banking assets or about USD $8 billion as of January 2017. The banks operate branches throughout the country and are regularly audited by one of the big four international accounting firms. Their rates of non-performing loans averaged 9.3 percent in February 2017, a slight rise from February 2016’s 8.8 percent. They generally 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. In addition, foreign investors, including the International Finance Corporation (IFC) and Goldman Sachs, have equity stakes in several of these four banks. While there are no legal prohibitions, the GOM generally discourages majority foreign control of any local commercial bank or foreign establishment of local branch operations. Mongolia’s commercial banks also face the challenge of maintaining correspondent relations with U.S.-based banks. Local bankers report that correspondent banks are terminating their Mongolian relationships because the revenue generated by the
relatively small number of Mongolian transactions is not worth the administrative costs of providing correspondent relationships.

In 2015, to consolidate weaker, less capitalized banks into larger, better funded institutions, the BOM, the central bank, ordered all commercial banks to increase their minimum paid-in-capital from the current minimum of USD $8 million to USD $25 million by December 2017. While the BOM and Mongolia’s financial system have endured insolvencies over time, each failed bank had shown clear signs of distress before the BOM moved to safeguard depositors and the banking system. As with many issues in Mongolia, the problem is not lack of laws or procedures for dealing with troubled banks, but rather, some lack of capacity and an apparent reluctance on the part of BOM banking overseers to enforce regulations related to capital reserve requirements, bank management and corporate governance, and non-performing loans.

Pursuant to the IMF-led program, international auditors will conduct an in-depth asset quality review of Mongolia’s commercial banking sector to be completed in 2018. International accounting firms will conduct comprehensive financial audits on Mongolia’s commercial banks. The audits, a condition for Mongolia’s receiving support under an IMF extended fund facility, will stress test all of Mongolia’s 13 commercial banks. Publicly the BOM and the IMF have stated that the banking assessments are unlikely to measurably affect the commercial banking sector but may result in some consolidation among the smaller, less-well capitalized banks.

**Foreign Exchange and Remittances**

*Foreign Exchange*

The Mongolian government employs a liberal regime for controlling foreign exchange. 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 aside from occasional, market-driven shortages of foreign reserves. Mongolia’s national currency, the tugrik (denoted as MNT), is fully convertible into a wide array of international currencies with its relative value fluctuating freely (mostly falling in recent years against the
USD) in response to economic trends. Mongolia’s central bank, the Bank of Mongolia (BOM), regularly intervenes in currency markets to limit MNT volatility.

The 2009 Currency Law of Mongolia requires all domestic transactions be conducted in MNT unless expressly excepted by the BOM. The central bank’s regulation prohibits the listing in Mongolia of wholesale or retail prices in any fashion (including as an internal accounting practice) that effectively denominates or otherwise indexes those prices to currencies other than the MNT. Given the 50 percent devaluation of the MNT over the past few years, this BOM edict has adversely impacted businesses that pay for imported goods in USD or other hard currency and sell them in MNT. Businesses caught adjusting MNT prices in exact or nearly exact proportion to currency fluctuations can face stiff penalties up to the full market value of the involved goods.

BOM regulation compels lenders to issue written warnings to borrowers seeking dollar-denominated loans that the steady depreciation of the MNT in recent years has translated to very significant increases in the real costs of servicing dollar loans. Hedging forward mechanisms available elsewhere to mitigate exchange risk for many national currencies are generally unavailable in Mongolia given the small size of the market. Letters of credit remain difficult to obtain, and the GOM sometimes resorts to paying for goods and services with promissory notes that cannot be directly exchanged for other currencies.

**Remittance Policies**

Businesses report no delays in remitting investment returns or receiving in-bound funds. Most transfers are completed within a few days to a week. However, in response to occasional currency shortages, most often of U.S. dollars, commercial banks can temporally limit the amounts they exchange daily, transmit abroad, or allow to be withdrawn. Remittances sent abroad are subject to a ten percent withholding tax to cover any potential profit, income, or value-added tax liabilities.
Sovereign Wealth Funds

In 2008, Parliament established the Human Development Fund (HDF), ostensibly Mongolia’s first sovereign wealth fund (SWF); however, it does not function as a traditional SWF. The HDF is to be funded from the profits, taxes, and royalties generated by the mining industry as a whole. Rather than husband these revenues for later days, the HDF, when it has funds from mining activities, distributes them 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 investment into Mongolia. In that sense, there is conflict between the HDF and U.S. investors in Mongolia.

State-Owned Enterprises

The Mongolian government maintains various state owned enterprises (SOEs) in the banking and finance, energy production, mining, and transport sectors. The Government Agency for Policy Coordination on State Property and Regulation (PCSP) manages these assets but currently provides no complete list of its SOEs. Investors can compete with SOEs, although in some cases an opaque regulatory framework limits both competition and investor penetration. Indeed, both foreign and domestic private investors believe the current GOM approach to regulating SOEs is favorable to Mongolian SOEs over private enterprises and foreign SOEs. Although many private companies have been created or registered in Mongolia in recent years, including foreign private companies, the GOM has also created several dozen SOEs over the same period.

In 2010, Mongolia passed and implemented the Law of Mongolia on Competition applying to private enterprises and SOEs active in Mongolia. Prior to passage, competition between state-owned and private businesses had been declining for the simple reason that many SOEs had been privatized. Currently, firms from Mongolia, China, Japan, Europe, Canada, and the United States have sought opportunities for renewable and traditional power generation, a sector still under state control in Mongolia. However, few want to invest in the power
generation field until the regulatory and statutory framework for private power generation firms up and tariffs reflect commercial best practices and true cost recovery.

The 2006 Minerals Law of Mongolia (amended in 2014) and the 2009 Nuclear Energy Law grant the GOM the right to acquire equity stakes ranging from 34 percent up to 100 percent of certain uranium and rare earth deposits deemed strategic for the nation. Once acquired, these assets are vested with Erdenes MGL, the state-owned entity for mining assets. Mongolia requires Erdenes MGL to use its profits to “benefit the Mongolian people.”

The role of the state as an equity owner in management of revenues and operation of mines remains unclear. Investors question the GOM’s capacity to deal with conflicts of interest arising from its position as both regulator and owner-operator. Specifically, they worry that the GOM’s desire to maximize local procurement, employment, and revenues may compromise the long-term commercial viability of mining projects. Investors also question the GOM’s capacity to execute its fiduciary responsibilities as both owner and operator of mines. Observers are concerned that the GOM waives legal and regulatory requirements for state-owned mining companies that it imposes on all others. Generally, approval for relevant environmental and operating permits for private coal mines in Mongolia takes at least two years. However, there are indications that the GOM has exempted Erdenes Tavan Tolgoi (ETT) mining operations from regulatory requirements imposed on other operations. Preferential treatment for SOEs creates the appearance that the GOM has one standard for its SOEs and another for foreign-invested and private domestic invested companies; and also provides SOEs with substantial cost advantages via a more lenient interpretation or outright waiver of legal requirements.

Mongolian SOEs will source from foreign firms only when inputs are not available locally or cannot be produced competitively in Mongolia. SOEs and private enterprises are under political pressure to source locally as much as possible and often resort to creating local Mongolian shell companies to act as a domestic storefront for foreign-sourced goods. This unofficial requirement adds inefficiency and cost to serving the Mongolian market. Finally, Mongolia is not yet a party to the World Trade Organization Procurement Agreement, although it has expressed a desire to join.
Mongolian Compliance with OECD Guidelines on Corporate Governance of SOEs

Mongolian SOEs do not adhere to the OECD Corporate Governance Guidelines for SOEs, however they are technically required to follow to the same international best practices on disclosure, accounting, and reporting as imposed on private companies. When SOEs seek international investment and financing, they tend to follow these rules. Many international best practices are not institutionalized in Mongolian law, and SOEs tend to follow existing Mongolian rules. At the same time, foreign-invested firms follow the international rules, causing inconsistencies in corporate governance, management, disclosure, and accounting.

The SOE corporate governance structure is clear on paper. There is an independent management answering to an independent board of directors, who, report to the Government Agency for Policy Coordination on State Property and Regulation (PCSP). In reality, government officials tell us that management and board of director operations and appointments are subject to political interference to an almost crippling extent. Some of the professional managers of these SOEs have expressed hope that implementation of the 2015 amendments to the Law on the Human Development Fund formally allowing independent, professional management of SOEs would curtail such interference. In support of this effort, the Asian Development Bank is funding a USD $35 million corporate governance strengthening project for Erdenes Mongol, an SOE holding key copper and coal mining assets.

Privatization Program
Parliament’s 2016 National Action Plan references privatizing some state-held assets, but the government has yet to identify the specific assets to privatize or the process to implement privatization. The Government Agency for Policy Coordination on State Property and Regulation (PCSP) holds and operates some SOE mining assets, the Mongolian Stock Exchange (MSE), the national air carrier MIAT, the Mongol Post Office, and other properties. Since 2015 some of these assets have been auctioned off. Most notably, in 2015 30 percent of the post office was offered to private buyers through an initial public offering on the MSE. However, while stating that it welcomes foreign participation in privatization efforts, the GOM has yet to clarify a tendering process for the privatization of state assets not to be sold via the MSE.
Mongolia has no plans to privatize its existing railroad jointly held with the government of Russia, but the law does allow private firms to build, operate, and transfer new railroads to the state.

**Responsible Business Conduct**

The concept and practice of responsible business conduct (RBC) in Mongolia is still in its infancy. Most reputable international companies make good faith efforts to work with local communities. The larger firms tend to follow accepted international RBC practices and underwrite a range of RBC activities across Mongolia; however, smaller companies, lacking sufficient resources, often limit RBC actions to the locales in which they work. A few large Mongolian firms regularly undertake RBC actions, with small- to medium-sized enterprises generally (but not always) hindered by limited resources. Generally, firms that pursue RBC are perceived favorably, at least within the communities in which they operate. Nationally, responses range from praise from politicians to cynical condemnation by certain civil society groups, which allege that RBC is no more than an attempt to buy public approval. Public awareness of RBC remains limited, with only a few NGOs involved in RBC promotion or monitoring, and those concentrated on large projects such as the Oyu Tolgoi mega-mine project owned by international mining giant Rio Tinto.

The government has no statutory requirement for RBC covering all companies active in Mongolia. However, the Minerals Law of Mongolia requires minerals exploration and mining companies to develop local development plans with the soum (county) in which they operate. Ministry of Mining and Heavy Industry (MMHI) officials explain that the GOM will eventually codify and standardize how companies should work with soums on local development issues. MMHI has a model agreement laying out specific, mandatory obligations that companies and municipalities would assume toward one another and the specific projects that companies would be able to undertake in the municipalities in which they operate. Investors report the model agreement remains a work in progress. Mongolia is also a member in good standing of the Extractive Industries Transparency Initiative (EITI).
Corruption

Domestic and foreign investors continue to report that corruption remains a cause for concern in Mongolia at both the “petty” or administrative and “grand” or elite levels. Instances of grand corruption reinforce the existing linkages between economic and political power that have negatively affected and in some cases ultimately derailed projects in Mongolia. Transparency International’s 2016 Corruption Perception Index ranked Mongolia 87 of 176 countries globally, largely on par with its rankings from previous years.

The primary law governing anti-corruption efforts is the 2006 Anti-Corruption Law (ACL), which sets criminal penalties for official corruption. However, the ACL is poorly enforced, and corruption continues at all levels of government - with some officials enjoying apparent impunity. 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. Parliament approved the National Program to Combat Corruption in November 2016, and the program is currently under development. In addition, in June 2016 Mongolia initiated its second National Action Plan under the Open Government Partnership.

The law proscribes fines and imprisonment of up to five years for the solicitation or acceptance of bribes by government officials. The law also criminalizes the offering of bribes to officials. NGOs previously alleged that the threat of prosecution of both individuals offering bribes and officials involved gave neither guilty party motivation to report the episodes after the fact and thus resulted in significant underreporting. After the government began granting limited immunity for those paying smaller bribes, the reporting of bribes increased. Members of Parliament are immune from prosecution during their tenure, and this immunity can preclude litigation of allegations of corruption.

The Independent Authority Against Corruption (IAAC) is the principal agency responsible for investigating corruption cases, although the Organized Crime Department of the National Police Agency also investigates corruption cases and often assists in IAAC investigations. The IAAC is responsible for investigating complaints against police, prosecutors, and judges. As
reported in the State Department’s Human Rights Report, questions about the IAAC’s political impartiality remain, due in part to the President’s power to appoint the head of the IAAC. Despite this potential conflict of interest, the public views the agency as relatively effective. In response to complaints that it was not making the results of its investigations and subsequent court proceedings public, the IAAC has held periodic press conferences about its activities. In addition, the IAAC increased its public awareness and prevention efforts through activities such as distributing educational materials for children and conducting outreach trips to the provinces.

For more information, see The Asia Foundation’s surveys on corruption in Mongolia and the State Department’s 2016 Mongolian Human Rights Report.

**Resources to Report Corruption**

**Independent Agency Against Corruption (IAAC)**
District 5, Seoul Street 41
Ulaanbaatar, Mongolia 14250
Telephone: +976-70110251; 976-11-311919
Email: contact@iaac.mn

**Transparency International Mongolia**
Tur-Od Lkhagvajav, Chairman of the Mongolian National Chapter
Zorig Foundation, 2nd floor
Peace Avenue 17, Sukhbaatar District
Ulaanbaatar, Mongolia
Telephone: +976 9919 1007; +976 9511 4777; +976 95599714
Email: lturod@gmail.com

**Political and Security Environment**

The Mongolian political and security environment is characterized largely by peace and stability; with instances of political violence rare. Mongolia has held 12 successful presidential and parliamentary elections over the past 20 years, though a brief but violent
outbreak of civil unrest followed disputed parliamentary elections in July 2008. During that unrest, five people were killed and a political party’s headquarters was burned. The violence was quickly contained and order restored, and no repeat of that level of civil unrest has occurred since. Indeed, Mongolia held peaceful presidential elections less than a year later in May 2009, in which the incumbent president was defeated and conceded the next day; with power smoothly transitioning to the winner. Mongolia’s successful parliamentary elections in June 2016 also led to a peaceful transition of political power. Presidential elections are scheduled for June 2017.

A more resource nationalist tone in politics has become evident in recent years. Media and observer reports suggest a rising anti-foreigner sentiment among elements of the public, mostly based on the desire to have Mongolian resources developed in an environmentally sound, culturally sensitive way by Mongolians for the benefit of Mongolians. However, this nationalist sentiment has not led to any known incidents of anti-Americanism or politically motivated damage to American projects or installations since the United States and Mongolia established relations in 1987. However, some commentators over the last three years have described a rising level of hostility towards Chinese, Vietnamese, and South and North Korean nationals in Mongolia. This hostility has led to instances of improper seizure of Chinese and Korean property, and in even more limited cases to acts of physical violence against Chinese nationals and Chinese-owned property, and to a lesser extent, against Korean and Vietnamese nationals residing in Mongolia.

**Labor Policies and Practices**

The National Statistics Office of Mongolia (NSO) reports that as of May 2017, 9.1 percent of the 1.24 million people defined by the NSO as economically active were unemployed. Youth unemployment (15-34 year olds) currently hovers around 57.6 percent of total unemployed. There are currently approximately 5,900 foreign workers officially registered with the Ministry of Labor (MOL), two-thirds of whom work in construction, mining, and manufacturing. More than one-third of the foreign workers are from China.
The Mongolian labor pool of nearly two million workers is generally educated, young, and skilled. Unskilled labor is abundant but shortages exist in most professional categories requiring advanced degrees or vocational training, including all types of engineers and professional tradespeople in the construction, mining, and services sectors. Foreign-invested companies deal with these shortages by providing in-country training to their staffs, raising salaries and benefits to retain employees, or hiring expatriate workers with specific 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 follow the 1999 Law on Labor of Mongolia (LOL). The LOL requires companies to employ Mongolian workers in all labor categories whenever a Mongolian can perform the task as well as a foreigner. This LOL provision generally applies to unskilled labor categories. If an employer seeks to hire a non-Mongolian laborer and cannot obtain a waiver from MOL for that employee, the employer can pay a monthly waiver fee. Depending on a project’s importance, MOL can exempt employers from 50 percent of the waiver fees per worker. However, employers report difficulty in obtaining waivers, due in part to public concerns that foreign and domestic companies refuse to hire Mongolians in the numbers that they should.

Because Mongolia’s long, cold winters limit outdoor operations in the infrastructure development, commercial and residential construction, and mining exploration sectors, employers tend to use a higher degree of temporary contract labor than companies that can operate year-round. Current law allows for employers and employees to employ these short-term contracts.

Employers have expressed concern over the package of proposed amendments to the LOL currently under consideration by the GOM. If passed by parliament in 2017, the proposed amendments would mandate that employers, the government, and the Confederation of Mongolian Trade Unions (CMTU) form a committee to set actual work hours and conditions, rather than allowing employers and employees to contract directly based on actual labor needs. Both foreign and local employers have advocated against this change and other
proposed amendments to LOL, noting that such changes restrict their ability to respond to fluctuating market conditions.

The LOL currently allows workers to form or join independent unions and professional organizations of their choosing and protects rights to strike and collective bargaining. However, some legal provisions restrict these rights for foreign workers, certain public servants, and workers without formal employment contracts, though 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 practice. The law provides for reinstatement of workers fired for union activity, but the CMTU stated that this provision is not always enforced. According to the CMTU, some employees occasionally face obstacles to forming or joining unions, and some employers have taken steps to weaken existing unions. For example, some companies use the portion of employees’ salaries deducted for union dues for other purposes rather than forwarding the monies to the unions. Some employers have prohibited workers from participating in union activities during working hours, despite being mandated by law. There have also been some violations of collective bargaining rights, as some employers refuse to conclude collective bargaining agreements in contracts.

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 rights to collective bargaining and freedom of association are generally enforced. The Tripartite Labor Dispute Settlement Committees (TC) resolves the majority of disputes between workers and management and consists of representatives from Mongolia’s CMTU, employers, and the government. However, management and legal contacts state that TCs are not compliant either with the existing labor law or Mongolia’s 2013 Law on Mediation. Cases that cannot be resolved by TCs are referred to the courts. For Mongolian labor laws as they relate to union activity, see the 2016 Mongolia Country Report on Human Rights Practices.
The LOL allows employers to fire or lay-off workers for cause; however, depending on the circumstances, severance may be required and workers may seek judicial review of their dismissal. The statutory severance package requires employers to pay laid off workers one month of the contracted salary; fired workers receive no severance. Laid off or fired workers are entitled to three months of unemployment insurance from the Social Insurance Agency.

The International Labor Organization (ILO) has expressed concern about child labor practices that vary with Mongolian law and international labor standards. Authorities report that employers often do not follow the law, requiring minors to work in excess of the permitted hours per week and paying them less than the minimum wage. The General Agency for Specialized Inspections (GASI) enforces all labor regulations; however the agency is understaffed, with only 1,250 inspectors. GASI Inspectors are authorized to compel compliance with labor statutes, but its limited capacity, combined with the growing number of privately owned enterprises, limits enforcement. Additional information on the ILO conventions ratified by Mongolia are available on the ILO website.

**OPIC and Other Investment Insurance Programs**

The United States Overseas Private Investment Corporation (OPIC) offers loans and political risk insurance to U.S. investors active in most sectors of the Mongolian economy. In addition, OPIC and Mongolia have signed an Investment Incentive Agreement that requires the GOM to extend national treatment to OPIC-financed projects in Mongolia. The agreement is available online. 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) 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 also a member of the Multilateral Investment Guarantee Agency (MIGA).
## Foreign Direct Investment and Foreign Portfolio Investment Statistics

*Table 2: Key Macroeconomic Data, U.S. FDI in Mongolia*

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<th>Economic Data</th>
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<th>Amount</th>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Host Country Statistical source*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. FDI in partner country ($M USD, stock positions)</td>
<td>2015</td>
<td>$521*</td>
<td>2016</td>
<td>$546*</td>
<td></td>
</tr>
<tr>
<td>Host country’s FDI in the United States ($M USD, stock positions)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>BEA data</td>
</tr>
<tr>
<td>Total inbound stock of FDI as % host GDP</td>
<td>2014</td>
<td>166%*</td>
<td>2015</td>
<td>177%*</td>
<td></td>
</tr>
</tbody>
</table>


*Table 3: Sources and Destination of Mongolia FDI*
The Government of Mongolia has never tracked where the beneficial ownership of a given investment actually terminates. Rather the government only records where the company claims its domicile. The U.S. Embassy is aware of numerous cases where foreign entities active in Mongolia do not incorporate in their countries of origin but rather do so in third countries, largely for tax mitigation purposes. Consequently, although Mongolia’s data and the IMF’s, respectively, suggest that much of Mongolia’s investment originates from such places as the Netherlands or Singapore, much of the investment comes from other jurisdictions, including but not limited to the United States, Australia, Canada, Russia, and China.

**Direct Investment from /in Counterpart Economy Data** *(From the IMF’s Coordinated Direct Investment Survey (CDIS))*

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

<table>
<thead>
<tr>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Inward</td>
<td>16,753</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8,385</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>1,392</td>
</tr>
<tr>
<td>Singapore</td>
<td>1,386</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,198</td>
</tr>
<tr>
<td>P.R. China: Mainland</td>
<td>1,048</td>
</tr>
<tr>
<td>Total Outward</td>
<td>NA</td>
</tr>
<tr>
<td>Netherlands</td>
<td>NA</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>NA</td>
</tr>
<tr>
<td>Singapore</td>
<td>NA</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>NA</td>
</tr>
<tr>
<td>P.R. China: Mainland</td>
<td>NA</td>
</tr>
</tbody>
</table>

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

Outward Direct Investment figures are unavailable.

*Table 4: Sources of Mongolia Portfolio Investment*
### Mongolia Portfolio Investment Assets

*(From IMF’s Coordinated Portfolio Investment Survey (CPIS)*)

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

<table>
<thead>
<tr>
<th>Total</th>
<th>Equity Securities</th>
<th>Total Debt Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Countries</td>
<td>235 100%</td>
<td>All Countries</td>
</tr>
<tr>
<td>Hong Kong SAR</td>
<td>84 36%</td>
<td>Hong Kong SAR</td>
</tr>
<tr>
<td>United States</td>
<td>41 18%</td>
<td>United States</td>
</tr>
<tr>
<td>Singapore</td>
<td>28 12%</td>
<td>Australia</td>
</tr>
<tr>
<td>Australia</td>
<td>21 9%</td>
<td>Singapore</td>
</tr>
<tr>
<td>Canada</td>
<td>15 6%</td>
<td>Canada</td>
</tr>
</tbody>
</table>

Contact for More Information

The Economic and Commercial Section
U.S. Embassy
P.O. Box 341
Ulaanbaatar 14192, Mongolia
Telephone: +976-7007-6001
Email: Ulaanbaatar-Econ-Comm@state.gov
Trade & Project Financing

Methods of Payment

Mongolians use both cash and electronic payments to conduct trade. Although the tugrik is the official currency for all domestic transactions, dollars may be used for some exchanges. These payments can be in hard currency or through wire transfers into and from Mongolian bank accounts. Letters of credit remain hard to obtain due to weaknesses in banking supervision and difficulties in collecting on defaults. Pay-as-one-goes should be the mantra for American investors and exporters active in Mongolia. We do not recommend paying in advance or extending credit until a clear record of trust and successful transactions exists. Tight control of finance and procurement is recommended. There are no private collection or credit rating agencies currently active in Mongolia.

Banking Systems

Mongolia’s banking system has become more efficient and reliable, although supervision lags and some banks do not measure up to international standards. Prior to 1991, no western-style commercial or central banking system existed in Mongolia. The State Bank was the only bank in Mongolia. In October 1990, the Mongolian Government, in line with free market economic reforms, dissolved the State Bank. In 1991, Mongolia enacted a new banking law to create a western-style banking system. The law re-organized the banking system into a two-tier structure. The Bank of Mongolia, or Mongol Bank, acts as the central bank, implementing monetary policy. Other private and public banks provide commercial services.

Mongolia’s four largest commercial banks are:

- **Golomt Bank**
- **Khan Bank**
- **Trade and Development Bank**
- **XacBank**
A foreign company or organization (such as a joint venture or wholly owned firm) may open an account by presenting the following information to their bank:

1. Company registration from the General Authority for Intellectual Property and State Registration (GAIPSР).


3. A letter requesting the account.

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

Most of Mongolia’s banks make international money transfers. The four largest banks maintain correspondent relations with several foreign banks and maintain accounts in major world currencies with several of them. Clients may transfer money into and out of their domestic accounts, subject to domestic reporting requirements. There are no set limits on the amount that may be withdrawn from an account. The bank charges a small commission on cash withdrawals in hard currency. There is no commission on cash withdrawals in tugriks at the daily buying rate. The bank charges a commission on all transfers of hard currency within Mongolia and to banks abroad. International transfers, including interest income and profits, may be subject to 20 percent withholding tax by the bank on behalf of the Mongolian Tax Authority.

Banks do not cash personal checks.

Major hotels accept American Express, Visa, Master Card, and JCB credit cards. Major stores, restaurants, and travel agencies also accept credit cards. Most banks offer cash advances on major credit and charge cards. Merchants can add a three to four percent surcharge on both credit and charge card purchases. Most banks maintain ATMs that allow cash withdrawals through international networks.
Foreign Exchange Controls

The tugrik (MNT) is the national currency of Mongolia and the only legal currency. Since July 1996 and renewed in 2009 legislation, all cash payments and transactions must be made in tugriks (with exceptions for certain bank and government transactions). Mongolia maintains a floating exchange rate policy, although the central bank does intervene in the foreign currency market to maintain a steady exchange rate. In May 2017, the dollar-MNT exchange rate was approximately $1 = 2420 MNT. Individuals may exchange money at authorized exchange points, including banks and hotels. English language newspapers and radio and TV programs regularly report exchange rates. There are no foreign exchange controls affecting either investment or trade in Mongolia. Infrequently, the commercial banking system has shortages of dollars that slightly delay remittances. Currency transactions over 20 million MNT ($8,200) are subject to government reporting requirements.

U.S. Banks & Local Correspondent Banks

No U.S. bank operates in Mongolia and no Mongolian bank has a direct correspondent relationship with a U.S. bank.

Although open for lending into Mongolia, the Export-Import Bank of the United States offers no Mongolia-specific program.

Project Financing

Multilateral Development Banks:

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (European Bank for Reconstruction and Development, Asian Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social
development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the European Bank for Reconstruction and Development, the Asian Development Bank and the World Bank.

**Additional International Financing Options**

**The International Finance Corporation (IFC):** IFC’s core business is financing projects with cash flows that can cover debt-service repayment to lenders and payment of dividends to shareholders. Such financing is without government guarantees. Contact the IFC through its Washington, D.C. headquarters at (202) 473-1000 or at its Ulaanbaatar office (976-11) 312-694 or by email at Ntuyen@ifc.org.

**The U.S. Trade and Development Agency (TDA):** TDA occasionally participates in Mongolian projects. TDA’s basic criteria for project funding are:

- The project is a developmental priority of the host country
- There is a likelihood of project financing
- The U.S. export potential is significant
- There is foreign competition for the project

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

**The Export-Import Bank of the United States (EXIM):** EXIM, the official export credit agency of the United States is an independent, self-sustaining Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, EXIM may fill the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. In doing so, EXIM levels the playing field for U.S. goods and services going up against foreign competition in overseas markets, so that American companies can create more good-paying American jobs. Because it is backed by the full faith and credit of the United
States government, EXIM assumes credit and country risks that the private sector is unable or unwilling to accept. Contact EXIM at 811 Vermont Avenue, NW Washington, DC 20571, Tel: +1 800-565-EXIM (3946).

The United States Overseas Private Investment Corporation (OPIC) OPIC offers loans and political risk insurance to American investors involved in most sectors of the Mongolian economy. In addition, an OPIC Investment Incentive Agreement is in force between the United States and Mongolia requiring Mongolia to extend national treatment to OPIC-financed projects in Mongolia. (See website)

Financing Web Resources

Mongolia Resources

General Authority for Registration and Statistics

Golomt Bank

Khan Bank

XacBank

Trade and Development Bank

U.S. Resources

Commercial Liaison Office to the Asian Development Bank

Commercial Liaison Office to the European Bank for Reconstruction and Development

Commercial Liaison Office to the World Bank

The International Finance Corporation

U.S. Embassy in Mongolia

U.S. Export-Import Bank

U.S. Trade and Development Agency
Business Travel

Business Customs

Personal relationships in business are critical: Mongolians like to deal with family and friends. Exporters, importers, and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships among their Mongolian agents or distributors and buyers and end-users. A web of strong personal relationships can smooth business in Mongolia.

Family and school ties remain strong in Mongolia: It is important to learn who is related or connected to whom when establishing business relationships.

Mongolians look for cues of serious intent by how much effort — time and material — a foreign investor or exporter puts into the early phases of the relationship: Initial meetings should be conducted in formal settings, in formal business wear, with an exchange of cards. Small gifts are always appreciated as are hosted meals. Subsequent meetings can be more relaxed as circumstances permit. However, expect and allow Mongolians to be generous hosts, as this is an important part of local culture. Being a good guest and business partner requires that one partake of the festivities at the start of any business relationship. However, to keep the relationship balanced from the start, we advise businesses to host as well as accept invited meals.

New entrants to the Mongolian market should not view Mongolians through the prism of their neighbors: While historical and cultural affinities exist between Mongolia and its neighbors, Mongolians are very conscious and proud of their history and of the progress Mongolia has made over the last decades. Mongolians become particularly offended if confused with Chinese and deeply resent being compared to other developing countries with similar commodity-dependent economies.
Avoid letting cultural sensitivity to Mongolian norms impede good judgment and commonsense: Some Mongolians will tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal may not go through if the foreign partner does not ignore those practices. Investors and exporters should politely but firmly adhere to sound business and ethical principles. Investors who do so will earn the respect of the Mongolians and may protect their investment, too.

Travel Advisory
Please see Mongolia travel information on the Department of State’s website and on the U.S. Embassy in Ulaanbaatar’s website.

Visa Requirements
Mongolia requires a valid passport for American visitors. No visa is required for U.S. citizens visiting for less than 90 days, but certain registration requirements may apply. For updated registration requirements please inquire from the Mongolia Immigration Agency (MIA) in Ulaanbaatar. U.S. visitors who fail to register and stay longer than 30 days may be stopped at departure, denied exit, and fined. U.S. citizens planning to work or study in Mongolia should apply for a visa at a Mongolian Embassy or Consulate overseas. Failure to do so may result in authorities denying registration, levying a fine, and requiring that the visitor leave the country. For current information on visa/registration requirements, contact the Embassy of Mongolia in Washington, D.C. at +1 202 333-7117.

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

The tugrik (MNT) is the national currency of Mongolia and the only legal currency. In May 2017, the dollar-MNT exchange rate was approximately $1 = 2420 MNT. Individuals may exchange money at authorized exchanges, including banks and hotels.

Telecommunications/Electricity

Mongolia has an evolving telecommunications system. In the capital of Ulaanbaatar, the Internet is available and reliable. Mongolia has reliable satellite, Wi-Fi, and fiber-optic linkages to the World Wide Web; however, the last mile of connection for some publicly accessible systems, especially in rural Mongolia, remains through landlines and dial-up modems. Consequently, downloads to these sites may be slow and interrupted. Mongolia has numerous ISPs and Internet cafes offering a full range of services.

Most hotels offer access to the Internet. A growing number of hotels offer in-room connectivity and Wi-Fi. We advise travelers to contact their hotel in advance of travel regarding this issue.

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

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

Regarding phone service, Mongolia has followed a fairly regular pattern for Asia. Rather than upgrading its landline system, Mongolia has developed wireless systems. Ulaanbaatar and most of its surrounding municipalities are linked by four existing private cellular service providers:

- G-Mobile
• **Mobicom**
• **Skytel**
• **Unitel**

These firms offer sales and service for handsets and other related products. Cellular service in the countryside is available in all provincial capitals and in most county centers. Satellite phone service is also available through Mobicom.

Regular and reliable electricity is available throughout most of Mongolia; however, occasional power outages and brownouts do occur. Mongolia uses 220 volts and Europlugs or Schuko plugs.

**Transportation**

Business travelers can best enter Mongolia by plane (or train if time is less of an issue). Currently there are no direct flights between Mongolia and the United States. One can fly to and from the United States via connecting flights in Seoul/Incheon, Beijing, Tokyo, Berlin, Frankfurt, Istanbul or Moscow. MIAT Mongolian Airlines, Korean Air, Air China, Aeroflot, and Turkish Airlines maintain daily flights. Summer schedules offer more flights than winter. In the summer high season (June-September), seating may be in short supply. During spring and summer, high winds may cause flight delays and cancellations.

Domestic air service is available to most provincial capitals through Areo Mongolia and Hunnu Air.

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

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

In the countryside, travel requires a reliable, off-road vehicle and a skilled driver as much of Mongolia’s road network is unpaved and travel is unpredictable.

**Language**

Mongolian is the official language of Mongolia. All contracts and other legal documents must be in Mongolian if the business is conducted in Mongolia. Translations of contracts, laws, regulations, etc., have no force before Mongolian courts, agencies, and other government offices. English is the de facto language through which most foreign investors engage with their Mongolian counterparts, along with Russian, Japanese, German, Korean, and Mandarin Chinese are also used.

**Health**

Before your trip, the CDC recommends that you see a health-care provider who specializes in Travel Medicine. If you have a medical condition, you should also share your travel plans with any doctors you are currently seeing for other medical reasons. Medical evacuation from Mongolia is expensive; we urge all travelers to secure medical evacuation insurance before coming to Mongolia. For more information, please contact the U.S. Embassy in Ulaanbaatar or the Centers for Disease Control and Prevention’s international travelers’ hotline. For the latest warnings and updates check U.S. State Department.

As a convenience only, U.S. citizens may find a list of Mongolia-based medical facilities. The U.S. Embassy Ulaanbaatar, Mongolia assumes no responsibility or liability for the professional ability or reputation of, or the quality of services provided by, the medical professionals, medical facilities or air ambulance services whose names appear on the following lists. Inclusion on this list is in no way an endorsement by the Department of State or the U.S. Embassy. The information in the list on professional credentials and areas of expertise are provided directly by the medical professional, medical facility or air ambulance service. The Embassy is not in a position to vouch for such information. You may receive additional
information about the individuals and facilities on the list by contacting local medical boards and associations (or its equivalent) or local licensing authorities.

Local Time, Business Hours and Holidays

Mongolian Standard Time (MST) is 13 hours ahead of EST in the fall and winter months. In the spring and summer months Mongolia does not use Daylight Savings Time and remains on MST and is 12 hours ahead of EDT. The standard 40 hour workweek is 9:00 a.m. - 6:00 p.m., Monday through Friday, with an hour for lunch. Holidays are as follows:

U.S. Embassy Observed U.S. and Mongolian Holidays for 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Day</th>
<th>Holiday</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2</td>
<td>Monday</td>
<td>Substitute Day of New Year Day, USA/Mongolia</td>
<td>USA/Mongolia</td>
</tr>
<tr>
<td>January 16</td>
<td>Monday</td>
<td>Martin Luther King, Jr.’s Birthday, USA</td>
<td>USA</td>
</tr>
<tr>
<td>February 20</td>
<td>Monday</td>
<td>Washington’s Birthday, USA</td>
<td>USA</td>
</tr>
<tr>
<td>February 27</td>
<td>Monday</td>
<td>Lunar New Year*, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>February 28</td>
<td>Tuesday</td>
<td>Lunar New Year*, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>March 1</td>
<td>Wednesday</td>
<td>Lunar New Year*, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>March 8</td>
<td>Wednesday</td>
<td>International Women’s day, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>May 29</td>
<td>Monday</td>
<td>Memorial Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>June 1</td>
<td>Thursday</td>
<td>Mother and Child Day, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>July 4</td>
<td>Tuesday</td>
<td>Independence Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>July 11</td>
<td>Tuesday</td>
<td>National Holiday/Naadam, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>July 12</td>
<td>Wednesday</td>
<td>National Holiday/Naadam, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>July 13</td>
<td>Thursday</td>
<td>National Holiday/Naadam, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>July 14</td>
<td>Friday</td>
<td>National Holiday/Naadam, Mongolian</td>
<td>Mongolian</td>
</tr>
<tr>
<td>September 4</td>
<td>Monday</td>
<td>Labor Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>October 9</td>
<td>Monday</td>
<td>Columbus Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>November 10</td>
<td>Friday</td>
<td>Veterans Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>November 23</td>
<td>Thursday</td>
<td>Thanksgiving Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>December 25</td>
<td>Monday</td>
<td>Christmas Day, USA</td>
<td>USA</td>
</tr>
<tr>
<td>December 29</td>
<td>Friday</td>
<td>National Independence Day, Mongolian</td>
<td>Mongolian</td>
</tr>
</tbody>
</table>
Temporary Entry of Materials or Personal Belongings
The Mongolian National Chamber of Commerce and Industry can arrange for duty-free import of display items for trade shows. For more information, contact the MNCCI in Ulaanbaatar:

Tel: 976-11-327176 Fax: 976-11-324620
Email: chamber@mongolchamber.mn

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

Travel-Related Web Resources
Mongolian Resources

Aero Mongolia Airlines
Aeroflot
Air China
Embassy of Mongolia, Washington, DC
G-Mobile
Hunnu Air
Intermed
Korean Air
MIAT Mongolian Airlines
Mobicom
Mongolia Immigration Agency
Mongolian National Chamber of Commerce and Industry
Skytel

SOS Medica

Turkish Airlines

Unitel

U.S. Resources

U.S. Embassy in Mongolia Commercial Specialists:  Ulaanbaatar-Econ-Comm@state.gov

U.S. Embassy in Mongolia

U.S. Centers for Disease Control

U.S. Department of State