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Destined for greatness

Having jumped 12 places in the World Bank’s doing business index between 2012 and 2013, Mongolia’s wolf economy is ahead of the pack in sustainable growth and development.

As one of the world’s fastest growing economies, gross domestic product growth in Mongolia is forecast to be between 14 percent and 16 percent this year, according to the World Economic Forum.

Boasting a booming mining industry that can only expand, the new coalition government led by Prime Minister Norovyn Altankhuyag has pledged to use revenues to foster growth in many different sectors and improve the Soviet-style infrastructure.

Without a doubt, Mongolia is at a pivotal point in its history. Its future prosperity will be affected by a number of factors, not least the consistency of foreign investments, fluctuating commodity prices and geopolitical relations with Russia and China, the country’s vast neighbors.

The world’s eyes are already on Mongolia, but interest in this sparsely populated country of traditionally nomadic people will be piqued even more when



Davaajav Gankhuyag
Minister of Mining

of the World Economic Forum’s project Scenarios for Mongolia, the outcomes of which will be presented at the Forum’s Annual Meeting in Davos, Switzerland in January 2014.

So what are the economic opportunities and challenges in this intriguing country, and what are government and business leaders doing to ensure the untapped wealth of resources are managed to exact the best possible returns?

sectors and the need to diversify the economy is not the approach we should be taking.”

The chamber is heavily involved in the government’s drive to improving the business environment, with members keen to build a market economy that will spawn a middle class and more equal system.

“Poverty is currently 30 percent, and there are untapped opportunities in agriculture and agriculture-related products,” Demberel says. “Capital markets, pension funds, venture funds and other financial instruments are still falling behind. We need to encourage more competition in the financial sector.”

Strong Japanese links

Japan, already a huge donor to Mongolia, could be a strong ally in the country’s transition, Demberel asserts.

“Mutual talks and bilateral agreements between our two countries are progressing. Visa restrictions are not that strict

been criticism of the government’s moves and laws in the past year, but it is very enthusiastic on changing the economy, bringing growth in, and working hard to achieve it.”

Minister of Foreign Affairs, L. Bold, visited Japan in 2012 to mark the 40th anniversary of diplomatic ties between the two countries. He is “deeply grateful” for Japan’s assistance and support, and looking forward to boosting further diplomatic, commercial and trade initiatives.

“Japan has supported Mongolia’s democratic transformation from the very beginning and provided valuable assistance and support in developing the market economy and laying the basis for modern development,” he says, adding that his government is now committed to securing sustainable growth and a business-friendlier climate.

“We are now establishing economic trade zones, large-scale ventures and foreign investment enterprise concessions and new infrastructures,” he says. “We set a long-term goal to build a competitive and diversified economy, reduce reliance on the mining sector and spark middle-class growth through equal distribution of natural wealth.

“To achieve its goals, the government is planning major development projects, such as constructing new railways and roads, developing coal processing and steel smelting industries. International expertise, investment and cooperation are welcomed to these projects.”

During an official visit to Mongolia in March this year Prime Minister Shinzo Abe told reporters that Mongolia was valuable to Japan’s energy security strategy:

“We are now establishing economic trade zones, large-scale ventures and foreign investment enterprise concessions and new infrastructures.”

L. Bold, Minister of Foreign Affairs

the World Economic Forum Strategic Dialogue on the Future of Mongolia takes place in the capital Ulaanbaatar on Sept. 14 and 15.

The meeting, the WEF publicity highlights, is an unparalleled opportunity to bring together the Mongolian government and other leading domestic and international stakeholders to explore economic pathways.

It will form an essential part

For Sambuu Demberel, chairman of the Chamber of Commerce and Industry, the important factor is inclusive growth. “I think we are experiencing mania, over-happiness and over-satisfaction about mining,” he says. “Mongolia relies too much on this one sector. The numbers show high GDP growth, but does this really equate to a growth in living standards? Ignoring other

any more. We have been asked to increase our activities as a Chamber of Commerce in Tokyo. The linkage is looking more and more robust—and of course it would be desirable for us to attract investments in the non-mining sectors.

“Although we have money reserves for mining and infrastructure, we still need extra financing, and money for SMEs and entrepreneurs. There has



Mongolia : A vast expanse of untapped opportunities

“We want to bolster ties with Mongolia with the objective of creating a good make-up of various energy sources,” he said, “As Mongolia is rich in natural resources, Japan’s technological cooperation will lead to a win-win scenario for both countries.”

Law change boosts confidence

The future looks interesting across the board, but it is mining that has thrust Mongolia onto the global stage, and the sector continues to expand at break-neck speed.

The industry made up 18.5 percent of GDP, 91.3 percent of total exports and 67.1 percent of total industrial output in 2012.

Mining Minister Davaajav Gankhuyag says: “Our new mining policy requires investors

to introduce environmentally friendly, harmless-to-health technologies, to adhere to the rule of law and to work transparently and to mutual benefit.

“It is, however, also necessary to pursue additional value of the product by applying international standards and increasing the number of buyers in order to establish a competitive market. We also want to develop the infrastructure in mining to reduce transport costs.”

In April, Parliament approved an amendment to last year’s controversial Strategic Entities Foreign Investment Law (SEFIL), which had stated that any transaction exceeding \$75 million involving a foreign entity was subject to government approval.

In the light of this, the World Bank revised its 2013 growth forecast for Mongolia down from 16.2 percent to 13 percent.

The amendment excluded private companies from the scope of the law, and was drawn up to win back depleting investor confidence. “We have made changes that aim to ease some restrictions on overseas private companies while maintaining controls on state-owned groups after a slump in investment,” Minister Gankhuyag says.

The ministry is also attempting to assuage international concerns about the impact of mining in the Gobi desert on the landscape and the centuries-old nomadic culture, and working with the World Bank to promote responsible mining.

“We have made changes to ease some restrictions on overseas private companies.”

Davaajav Gankhuyag
Minister of Mining

Building links and super highways in Mongolia and beyond

When a country is in the process of an economic boom and widespread modernization, the need for professional people behind new developments is paramount. In the case of Mongolia, where new roads are being built at a rapid pace to replace damaged highways that linger from the Soviet years, one company in particular is rising to the challenge.

With more than a decade’s experience, Monroad will soon be improving the flow of the city center of Ulaanbaatar with a major ring road that will ease congestion in the growing capital. Meanwhile, the government is keen to connect all 21 of its provinces (known locally as aimags) to the capital by 2016, signifying an unprecedented demand for works.

Having spent the last 15 years abroad, Tengis Garamgaibaatar is excited about the new opportunities and committed to Monroad, which was founded by his father. He took over as CEO in February.

“I started working in this company as a project control manager for the Oyu Tolgoi (OT) mine development and witnessed the boom from the inside,” he says. “I saw first-hand how infrastructure and transportation could benefit from the boom. Road construction is developing really fast. The OT project, situated in the Gobi Desert, is our largest project at the moment — 54 km of road, with a further 100 km and various city works coming soon.”

Unlike other infrastructural firms, Monroad is focused purely on road-building, something Garamgaibaatar believes lends it a competitive advantage. “We have started implementing ISO standards,” he says. “We have strong policies on quality, health and safety and alcohol abuse, and we meet international standards. The materials we use are safe to the environment and we are always looking for advanced technology to try.

“When I became CEO, I changed the structure of the company and we have become involved in a lot more projects. The OT project is still the most important from the perspective that it gives us the chance to have some international exposure. We are working on establishing a joint venture with an Australian company that will bring in international exper-

tise and equipment financing,” he says. “We also plan to expand abroad, starting with Africa.”

Garamgaibaatar is keen to work with Japanese investors, having already collaborated with Suruga Mongol, the Japanese-led team behind the Four Seasons Garden construction. “We often send our staff to Japan for training or to buy Japanese equipment. We are also very interested in bidding for the new airport project. The Japanese will eventually need local partners and that is where I see our opportunity. We see many more possibilities coming on stream.”



Tengis Garamgaibaatar
CEO, Monroad



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A special era in the nation’s history

Mongolia evidently has the potential to become a first-world country if it can achieve sustainable development, and many of its industrial players are enjoying the optimistic outlook.

Badamdorj Punsalmaa is executive director of M-Oil Group, one of the country’s leading fuel distributors and operators in the petroleum market.

As the landscape changes, quite literally, Punsalmaa explains how “Mongolia-watchers” and Mongolians themselves are witnessing the transition from socialism to a free market economy — and it’s a fascinating experience.

“It is giving us the opportunity to appreciate what we have,” she says. “Mongolians that are the building blocks of our future are very lucky to be living and working through this highly interesting and important period.”

It was this *carpe diem* attitude that propelled the entrepreneurial Punsalmaa to join M-Oil in 2006.

“Friends and partners of my husband talked, and decided to establish the company 10 years ago,” she says. “However, over the years, and more precisely in 2006, I sensed there were things missing that would make this company grow more rapidly, so I



raised my hand and joined M-Oil in order to contribute.”

Today, the company enjoys 10-15 percent of the market share and is fully committed to raising Mongolia’s reputation on the international arena through continual technological renovation, market sensitivity and stable and continual operation.

It strives to gain the confidence and trust of consumers, provide the most reliable and qualified products, and lead by prompt and polite service, as well as contribute to Mongolia’s socioeconomic development, Punsalmaa says.

“We are doing very well and have worked actively over the past decade. We strive to be pioneers in all we do.

“When I joined the company, the oil segment had rules that stated the executive director should keep the profits, while the employees received a salary. I changed that so that every employee is now entitled to dividends and profits from the company.

“That of course had an excellent impact in terms of employee satisfaction, which is a bonus for M-Oil.”

Fueling growth

Mongolia’s explosive growth has also had a huge impact with demand for diesel, gasoline, asphalt and other petroleum products now soaring from consumers and industry. The industry captain told *Global Insight* how the current climate is affecting business strategy.

“Our market for energy production and provision is expanding, however, it is not enough,” she says. “Although as a country we have sufficient sources of coal,

we need to be able to process and extract liquefied gas from coal and refine the petroleum ourselves. Currently, we export our crude directly to China.

“If we build our own refinery, we will be able to maintain energy stability in the country. We should produce energy products from raw coal and use it for power plants in Mongolia, rather than export directly into China.”

Although Mongolia has become one of China’s main suppliers of the coking coal used to make steel, the nation of 2.9 million has limited reserves of crude oil and relies on both Russia and China for fuel.

Punsalmaa is mindful of the impact on the sector should more oil be discovered in Mongolia.

“If we drill and refine the oil in Mongolia, then of course it will be possible to get the benefits from these deposits,” she says. “However, as I mentioned before, we need to build a refinery that meets the particular characteristics of the oil found in Mongolia. M-Oil and other companies are working on this.

“The quantity we have extracted at the moment is not sufficient to build a refinery, so it may be best to import half of the oil consumed from abroad and process or refine the other half for consumption within Mongolia.”

M-Oil operates a number of petrol stations in the A-zones of Ulaanbaatar, providing a reliable and fast 24-hour service for its customers that also offers a loyalty-benefit scheme.

Over its short life-span, the company has consistently upgraded its technology and invested heavily to renew warehouses and improve loading and unloading equipment.

It has developed excellent transport and monitoring systems, and contributed to strategic sectors like agriculture. The next three years will be equally productive, Punsalmaa says.

“We usually set a different agenda for each year. We have, for example, focused on financial consolidation, public relations and improving the monitoring system as mentioned.

“The use of gas is still very small in Mongolia, so as such, our next agenda will concentrate on introducing and spreading gas use here.

“Mongolian companies that have emerged in this market have been trying to do everything themselves for the past 10 years.

“However, the world itself is becoming more globalized and we have now realized that we need to cooperate with the world. I have recently observed that the most successful companies in



Once an empire stretching all the way to Vienna, Mongolia is coming in from the cold again.

Mongolia are the ones that establish joint ventures with other companies.

“Many foreign companies from developed countries have great experience with technology while we have a workforce, energy and resources, which makes us a great partner. We need to combine these two aspects.” And, in line with Mongolia’s Third Neighbor strategy — an initiative that aims to increase the country’s trade and investment with countries in the region and beyond, other than China and Russia — Punsalmaa is keen to reach out to the geographically close Japan.

“We would definitely be interested in partnering with Japanese firms. We need to research the market. As a company whose sole petroleum importing partner has been Russia, we have success-

fully and courageously sought and created a partnership with a third country — South Korea — from where we have started importing products with high international standards.

“We had a large team working on this project and the Petroleum Authority of Mongolia has been very cooperative. The project has already started giving us financial rewards.

“We look forward to partnering with Japanese companies and introducing Japanese standards into Mongolia.”

In another decade, M-Oil will have expanded exponentially, Punsalmaa says firmly.

“We will not just grow into a big company, but one that puts a lot of emphasis on its corporate social responsibility and contributes to Mongolian society,” she says.

Winning recognition with resources

Mongolia is no longer in the wilderness when it comes to global business. In fact, its strategic location next to resource-hungry China is an enviable strength.

Nestled between Russia and China, Mongolia is a country of contrasts. As well as having the coldest capital city in the world, temperatures can rise to over 40 degrees Celsius in the summer months.

Although sparsely populated, with approximately 3 million people in an area the size of Western Europe, the relative sophistication of Ulaanbaatar seems a world away from the some of the remoter communities. With housing stock and infrastructure urgently needed,

the mining sector will be the key that fully unlocks Mongolia’s socioeconomic development.

The opportunities are there, but there are also challenges in terms of technology and knowing how to best allocate the revenues.

Mongolia exports around 10 minerals, and 95 percent of these go to China. With diversification of both the markets and the economy now a matter of national policy, government officials are looking to Japan as a source of further strategic partnerships

that will provide a win-win solution for both nations.

Japan is the largest importer of Mongolian minerals after China. Japanese investment in Mongolia’s mining sector accounted for 1.6 percent of the country’s total mining investments between 1990 and 2012, which, as several local operators acknowledge, shows there is ample room for more Japanese investment in the sector.

Figures from the Ministry of Mining demonstrate that approximately 530 Japanese

companies invested more than \$184 million during that period, and more is being sought.

As Vice-Minister of Mining Erdenebulgan Oyun says: “Japan has the best-quality products, mining equipment and technology, so it could be financing some of our projects.

“We would certainly like to introduce some of their best practices into the Mongolian mining sector. We would also, for example, like to bring the technology that washes coking coal to our operations in the Gobi Desert, where there is a lack of water.

“Mining equipment from Japanese companies like Komatsu are widely used here. The quality of Japanese prod-

“The Japanese are highly skilled and we could learn a lot from them as we develop other sectors.”

Erdenebulgan Oyun
Vice-Minister of Mining

ucts and workmanship is very high. Japan’s workers are highly skilled and we can learn a lot from them as we build up our new infrastructures, energy supply and as we develop other sectors.

“Our short- to medium-term strategy is to focus on processing our resources and the oil refinery mentioned by the head of M-Oil will be part of that. Of course, this requires know-how, human resources, money and the development of an industrial environment. That is why we encourage domestic private companies to invest in such activities.

“The government is promoting the processing sector through tax incentives and special funds, and through the

creation of industrial parks and a conducive legal environment.

“Sainshand, a flagship industrial park, is already in development. Once it is finished, foreign capital is welcome to invest and build their own coal washing factories and steel production plants.”

Industrial park

The billion-dollar project, being built in Sainshand, a city of 20,000 people situated 420 km (261 miles) southeast of Ulaanbaatar, is expected to bring factories, offices, technology and jobs to a corner of the Gobi Desert located next to a railway line that runs through the country and connects Russia and China. It may eventually

house coking coal plants, a copper smelter and facilities to process food, make clothes, iron pellets and cement.

The project will create jobs, bring in technology and pave the way for further developments.

With only around 20 percent of its resources currently tapped and 2.5 billion people nearby waiting for Mongolian minerals, this is definitely a special time.

Although Mongolia has a small domestic market, it is expanding fast internationally, which means the capacity of companies and their competitiveness is growing at a rapid pace. An extreme situation for an extreme country, yes, but one that carries the promise of high returns on investment.



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Committed to Mongolia

The 35-year-old Erdenet Mining Corp. appointed a new general director in February. *Global Insight* asks Ts. Davaatseren about his vision for EMC and for the people of Erdenet.

As Mongolia's largest company, EMC's importance to the country cannot be underestimated. What is the corporation's socioeconomic impact?

Ts. Davaatseren: EMC has a large and influential position, not only within Erdenet city and the Orkhon province, but within the entire Mongolian economy. It's become a model enterprise because we have been able to absorb foreign investment in an appropriate way and implement exemplary work. Mongolians have named EMC and Erdenet city as the leading creation of the past century. The establishment of our factory led to the establishment of Orkhon province and Erdenet city, so it has a historical significance.

EMC currently has 6,000 workers. With them, and their families, we have around 40,000-50,000 people who are dependent on us. What's more, more than 50 percent of all suppliers of products and raw materials of EMC are local companies.

The advantage with our factory workers being local residents means their living environment is good, which makes them happy, stable, and efficient workers. EMC provides sports and cultural centers, and operates a large rehabilitation and treatment center, as well as an orphanage. As such, we have many operations that are helping to boost the local economy.

In this way, apart from the factory itself, we are not only con-



Ts. Davaatseren
General Director, EMC

tributing to Orkhon province and Erdenet city, but also to the whole of Mongolia.

We duly pay all state and local taxes, and as such, the local government is satisfied because paying taxes properly means that the local budget has no budget deficiency for its activities.

Decades from now, the Erdenet copper deposit in Orkhon province will be depleted. What plans does EMC have to contribute to the economic diversification of Erdenet city and its residents?

Mining resources do not grow, so one needs to utilize fully what is there. EMC's copper ore resources are guaranteed for 25 years, and we think it will be possible to increase this up to 40 years through further geological explorations. The longevity of EMC will not be restricted by these 40 years, but must continue operating, however. We need to shift to other kinds of mining

operations and utilize efficiently and appropriately the foundation and resources that have been formed within the scope of this great EMC factory.

The first plan is to establish a scientific center for the mining industry. EMC has enormous amounts of mining and ore processing experience and excellent human resources. We already have a science and technology university affiliated to EMC, so it will be an extension of that.

There is also a large technical maintenance center next to EMC that we want to expand into large-scale machinery equipment production.

We will continue with mining, while at the same planning tourism and fisheries projects. We will not live off the remaining ore resources but continue operations with the base, expertise, materials and assets that we've accumulated over the past years.

You are considered one of the country's top mining experts. What changes do you personally wish to bring to EMC?

Mining production has to fully utilize the natural mineral resources we have, but with a less negative effect on nature. We need to extract and produce concentrate, bearing the fruits of not just copper and molybdenum concentrates, but also sub-elements such silver, gold, iron and rare elements. We have only ever produced copper, molybdenum

concentrates and some silver, but there are more elements in there. In order to extract them, we need to do more research work and technological experiments.

Of course, the deeper we dig, the smaller the content becomes. The market requires improvement of the capacity and an expansion of the factory without delay.

We also need to decrease the negative effects on the environment by implementing a nature-friendly policy. One of the major challenges is to minimize the white dust created from factory production waste. This is a matter of natural restoration of the sites and reforestation.

When I visited Osaka in March this year, I met some officials at the medical science university. We are establishing a large medical diagnostic and treatment center next to our factory, and have invited a Japanese expert to work there. This is a huge investment for Mongolia, and we want it to have Japanese management and Japanese doctors working there.

We are talking to JICA about funding the training of Mongolian doctors and medical experts in Japan to work in this centre. I am very pleased with this cooperation from Japan. Mr. Iwao Watanuki, who is in charge of the setting-up process here in Mongolia, has rich experience in establishing and improving the management of numerous hospitals.



Erdenet Mining Corporation takes the well-being of its 6,000 employees and their families very seriously.

“We are establishing a large medical diagnostic and treatment center under Japanese management.”

Ts. Davaatseren
General Director, EMC

D. Munkhsaikhan, Director of Public Relations at EMC, adds:

“Since the new general director took up his position, he has made several changes to the company. He started cutting excessive costs and is improving transparency. There used to be guards at every door, people were not allowed inside, but now, everyone can come in and have their meetings.

“The employees are very pleased with these changes. As a mining professional, Davaatseren is making important health and safety changes, and improving the structure of factory sites. He has created internal procedures against bribery and all the directors,

sub-directors and department leaders have signed up to them. Training on this topic is being conducted. Before taking his current position, Davaatseren worked for three other mining companies, changing them all from loss-making companies into profit-making ones.

“Employees are very pleased to have such an able man in charge. It is not that our company is experiencing losses, but, as the amount of copper in the ore is decreasing, there is a need to expand production and work more efficiently. A quarter of the copper concentrate currently being shipped is actually for past contracts and they have already been received. A new economic

policy is therefore necessary; all departments are working with a specific plan and the procurement of supplies must be announced publicly.

“The new medical diagnostic and treatment center that is being established for workers and for all the residents of Orkhon province, is 90 percent complete and we plan to start using it within the year. All the remaining financial issues are solved. This will be the most modern medical diagnostic treatment center in Mongolia and can accommodate 228 people.

“We hope to make it an international center as it will have some of the most high-tech equipment and expertise there is.”



PRIDE OF THE NATION

Some firms really do drive a nation and Erdenet Mining Corporation is delighted to be playing such a large role in Mongolia's development. Accounting for a large share of the country's exports and tax revenues, we contribute the most to the state's budget of any firm — a model public enterprise that has been able to bring in important foreign investors. We have proven copper ore reserves for the next 25 years, which we are increasing up to 40 years. With more than 6,000 workers, we are of great socioeconomic importance for the city of Erdenet, and take corporate social responsibility seriously. We are environmentally friendly and we have a strong partnership with a science and technological university to keep the skills base high.



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Thinking outside the box

As the Mongolian economy expands and diversifies, hundreds of proud local businesses are rising to the challenge, and reaping the benefits, of a more globalized climate.

Alongside the development plans for the mining sector unveiled in September 2012, the new government also revealed its goal to reduce economic dependence on mining through an economic diversification policy, comprising seven components: industrialization; wool, cashmere and leather; livestock rearing, meat and milk production; tourism; advanced technologies; production of import-substitute and export products; services and infrastructure.

Indeed, as Mongolia's mining sector grows, the demand for better infrastructure to take the resources from the mines to China, the country's biggest market is huge. Although it spans 1,564,116 sq. km — just slightly smaller than Alaska—the largely pastoral landscape features only 49,249 km of roads and most of them are unpaved. The railways, half-owned by Russia, serve less than 2,000 km.

Mongolia is also keen to prepare its people for the better standard of living the mineral

we plan to build new homes and the associated infrastructure for those residents. Old buildings that do not meet safety requirements will be demolished, and new housing will take their place.”

A traffic decongestion program is also under way to ease the strain on existing roads. “We plan to develop a highway along the Tuul River and are looking at the feasibility of building a subway system,” the business-friendly Bayarsaikhan says. “First though, we want to rehabilitate the existing roads, separate the intersections and build new flyovers. We take a lot of ideas from Japanese examples.”

The sector is wide open for foreign investment, he says. “As well as Ulaanbaatar, we are also pursuing a strategy to develop other cities close to the capital, and new airports. We are already talking to German, Swiss and French companies, as well as the Japanese International Cooperation Agency. According

“We are talking to the Japanese International Cooperation Agency and want to create a sustainable climate for foreign investors and business, regardless of who is in government.”

Tsvelmaa Bayarsaikhan, Minister of Construction and Urban Development

wealth will bring. Modern and efficient urban networks are being planned that will take Mongolia into the 21st century, and it will be important to get goods and services up and running to cater for a more sophisticated population.

Tsvelmaa Bayarsaikhan, minister of construction and urban development, takes up the story. “The government devised an action plan to create more housing, to produce domestic consumption materials, and build new infrastructure,” he says. “We want to reduce import dependence. The implementation of the new development programs will influence the development of social infrastructure.”

Ulaanbaatar is a prime example. Located 1,350 meters (4,430 ft.) above sea level, slightly east of the center of Mongolia on the Tuul River, the capital was developed with a population of half a million people in mind, yet is already trying to cope with a million.

“Construction is developing really fast; we had to revise the master plan and agreed on a program that will take us to 2020. Around 60 percent of the city's population live in yurts, so

to our laws, there are certain provisions when it comes to construction. All of them stress environmental-friendliness and sustainable development.

“We want to create a sustainable climate for foreign investors and business, regardless of who is in government.”

Prime time

The time to invest in Mongolia certainly seems to be now. As Tengis Garamgaibaatar, CEO of Monroad, the country's premier road builder, says: “I spent the last 15 years abroad and came back to Mongolia recently. I was living in Europe, observing the economic slowdown, and I realized that was not where the money was. The money was in Mongolia, so I said to myself, ‘I need to take advantage of that.’

Investors should also think long term, Dugar Jargalsaikhan, chairman and CEO of Mongolian Investment Holding Group, advises: “The general trend is very positive, but one has to look at long-term investments, even if many such investors are suffering at the moment. We are moving toward a full market economy very fast. And if you compare us to other countries

in the region, we score high. We have a strong democracy, which is a very important measure of economic development in the future.”

Asia Pacific Investment Partners (APIP) is another entity capitalizing on Mongolia's mining bonanza. It established Mongolian Properties in 2002, in the hope real estate would grow fast, and is now one of the leading developers in the country, particularly in the luxury residential market.

“In the early days, the average price was very low but property prices have steadily increased in line with the mining boom and associated growth of the economy,” says CEO Lee M. Cashell.

“2012 saw the Chinese economy slow down and prices of copper, iron and coal slide, which led to Mongolia's rate of growth being more measured compared to the previous three years. But it appears we are now at the ‘pre-take-off’ stage again! The second half of this year

to import goods to Mongolia,” Sereeter says. “My wife was a teacher, I was a diplomat, and in those dire times, with the collapse of the Mongolian communist regime, we needed money, so I decided to start trading, filling the import-export gap between our country and our two neighbors.

“Through my travels as a diplomat, I was exposed to international living standards and I could see what was missing in Mongolia. Simple, imported products were so expensive here, so I saw an opportunity. I borrowed some money and asked for better trade contracts. People could see I was an honest businessman and trusted me.

“I chose to stay in Mongolia to contribute to changing it for the better. Many people have followed our business model since. Whatever I saw abroad, I wanted to introduce here. We started cable TV, for example, and it was a huge success, not in terms of money, but just in terms of making life less boring!

“We also brought the shopping mall concept to Mongolia — we were pioneers! Coffee shops are the latest addition to the market — it's a new culture we would like to introduce to the Mongolians.”

Having lived in Japan for five years, Sereeter knows first-hand the affinity shared between the two countries.

“We are very pro-Japan here,” he says. “Mongolia needs more SMEs — they will be key to our economic success. Japan can be very helpful by providing the technology and education needed to set these up.

“Not too many foreign investors know about Mongolia — there are vast opportunities and the government is transparent and well-educated. This should encourage foreign investors to come, and to come now.”

Getting from A to B fast

The logistics sector is also seeing growth thanks to the rise in mineral production. International freight forwarding company Mongolian Express Co. Ltd. (MonEx) is seizing the opportunities and chasing new projects at home and abroad.

CEO D. Enkhbat explains how business has developed since the company's inception.

“We started our business in 1999, and are now the leading freight forwarding and ship forwarding company in Mongolia,” he says. “We have our own terminal in Ulaanbaatar and are thinking of setting up two more in order to transport Mongolian coal abroad.

“We are interested in setting up a multiparty terminal on the borders of Russia and China to handle coal in a faster and more



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efficient way. The next step will be to export to other countries, like South Korea, Japan and Thailand.”

The company boasts ISO standards and is always looking to improve transportation, Enkhbat says.

“With our investments in logistics terminals, we want to connect Mongolia with other countries, countries that can be, or are already, receivers of our minerals. The bottleneck is in transporting coal from the mines to the railway. Road building should be our priority now. Then we can invite foreign investors to participate in new projects.”

“SMEs will be the key to our economic success. Japan can be very helpful in setting them up.”

Boldkhet Sereeter, Chairman, Naran Group

The land of the blue sky

Finally, as one of the world's final frontiers, Mongolia is ripe for tourism development. The rolling steppes are legend here.

Being one of the planet's last nomadic cultures, despite increasing migration from the countryside to the capital, many backpackers seeking adventure have braved the sometimes desolate landscape, warmed by the charming hospitality of rural dwellers keen to maintain a sense of community.

The fact the sun shines for more than 200 days a year has led to Mongolia being called “The Land of the Blue Sky” and the culture and sheer vastness of the landscape provide a fitting back-

drop to an unforgettable trip.

Back in Ulaanbaatar, there are more conventional comforts available at the Chinggis Khaan Hotel. With 196 rooms, a health club and a business center, this stunning hotel offers everything a business or leisure traveler could need.

The Chinggis Khaan Hotel is recognized for its excellent service and hospitality, and it has been the preferred lodging for royalty, heads of state, government delegations, dignitaries, leaders and decision makers as well as tourists and businesspeople.

It offers something for everyone. Managing director Zorigt B. says, “Our hotel is conveniently located in the business and cultural center of Ulaanbaatar and can be reached in just 20 minutes from the international airport. We offer comfortable guest rooms, Mongolian and international cuisines and fully equipped conference facilities in a 10-story building for our guests' pleasure.”

Positive outlook

In its 2012 report on Mongolia, professional services corporation KPMG is highly optimistic about the country's potential. It states that: “With an outward-

looking professional business community, democratic government and rapidly improving living conditions, many international investors are turning their attention to this previously overlooked corner of Asia.”

And, according to government statistics, approximately 10,000 foreign entities have been established and around \$10 billion net investment has been raised since Mongolia opened up its market to foreign investors.

While investing in Mongolia is not without some risk, investors can see that few markets today present the returns Mongolia does.

With the amendment of SEFIL in place and a pro-business prime minister at the helm, many analysts are convinced that the country's new government is keen to repair the mistakes of the past that brought mistrust among international investors.

The tides are definitely turning as the government prepares again to reassure investors and re-establish confidence at the World Economic Forum Strategic Dialogue on the Future of Mongolia on Sept. 14.

So, as this proud nation comes in from the cold, investors would do well to bet on its future.

This report was produced by Global Insight and can also be read online at: www.japantimes.co.jp/international-reports

MIH chief invites Japanese investors to enter this ‘frontier market.’

A country whose economy is growing at a tremendous rate on the back of natural resources should always have a Plan B when it comes to growth, or risk an over-reliance on unsustainable commodities, an unprepared population and a failed economy in the future.



Dugar Jargalsaikhan
CEO and Chairman
Mongolian Investment Holding Group

engaged in many serious projects at the same time. Energy efficiency and financial solutions are very interesting for us. We have integrated new technologies to Mongolia, and believe Japan can offer many solutions.

“The technologies are not only new, but we also look to see if they are environmentally friendly and how they can improve the quality of living for Mongolian people. We have, for example, built the energy-efficient solar house, which combines a solar-generating battery and low-energy heating system. Most Mongolians would love to have a

Japanese partner, and I believe the Japanese could be more active in frontier markets.”

While aware of the negative impact felt by investors due to changes in the investment law last summer, Jargalsaikhan sees the government is trying to restore confidence.

“The last amendment is proof of that, but there is still a lot to be done,” he says. “One of the best things helping to bring democracy and create a level playing field is availability of institutions like the Constitutional Court. It actually works very well. Any citizen can complain to the courts, and they do, which is positive and shows there is freedom of speech. That is a particularly huge achievement in a country that little more than two decades ago was under communism.

“We want to bring more investors here and show them our government policies, the business environment and how MIH can help them.”

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