

The Asian Wolf bites the hand of opportunity

In Focus investigates Mongolia's exciting transformation

Celebrating its Pavilion Day today at the Shanghai World Expo 2010, Mongolia is a country with a very bright future ahead.

Nestled between China and Russia, Mongolia is a resource-rich country on the brink of an economic transformation. Thanks to recent developments in the mining industry and foreign interest increasing at a phenomenal rate, the wolf economy is getting ready to pounce, with real GDP growth prospects expected to hit 20.8 percent within three years.

For President Elbegdorj Tsakhia and Prime Minister Sukhbaatar Batbold, whose coalition government took the reins in June 2009, the key priorities have been to ensure a safe business environment for the international community, while tackling widespread poverty.

President Tsakhia's electoral campaign pledges, to fight corruption and ensure that mineral wealth is spread more evenly among the 2.7 million largely Buddhist population are taking shape, with the country now boasting one of the fastest-growing economies in the world.

While a third of Mongolians live in the capital of Ulaanbaatar, 40 percent work as livestock herders in the country's extensive plains.

It is this nomadic, centuries-old lifestyle—now under threat by urbanization and climate change—that the President wishes to provide for with education initiatives that will "enrich the millennia-old cultural, historical and intellectual heritage the Mongolia people created."

Although Mongolia has expanded political and financial ties with the

U.S., Japan and the European Union, its main trading partners are neighboring Russia and China.

China represents the largest market, reaping 70 percent of Mongolian exports, and is the largest source of foreign direct investment (FDI) at 50 percent.

As a mineral-hungry nation, China will play a hugely significant role in the years to come. Trade turnover between the two countries soared by 22.5 percent between 2009 and 2010.

Mongolia has concluded its agreement on 'relations of good neighborliness and mutually trusted partnership' with China and high-level visits, talks and negotiations have become regular between the two countries."

ELBEGDORJ TSAKHIA
PRESIDENT OF MONGOLIA

"Mongolia has concluded its 'agreement on relations of good neighborliness and mutually trusted partnership' with China now, and reciprocal high level visits, talks and negotiations, have become regular between our two countries," said the President, who visited China earlier this year and attended the opening ceremony of the Shanghai World Expo.

"Relationships and cooperation are expanding in all areas including education, culture, humanitarian efforts and military, as well as people-to-people interactions. Trade flow between Mongolia and China has been



Elbegdorj Tsakhia, President of Mongolia



Sukhbaatar Batbold, Prime Minister of Mongolia

growing steadily in the last few years and we want to increase that flow, by reducing import tariffs, opening up free border economic and trade zones, broaden transport crossings and invest in Mongolia's road and rail transportation system."

2010 therefore represents the start of the next 60 years so we are in active talks to determine new ways of cooperating.

"There are opportunities to produce value-added products from Mongolian natural resources, build related infrastructure and produce end products from agricultural raw materials, one of the main industries in Mongolia.

During an official visit to the PRC in April, Prime Minister Batbold met with China's Prime Minister Wen Jiabao, who later reciprocated with a visit to Mongolia in June.

Both prime ministers agreed upon an increase in trade, with boosted cooperation in mining and agriculture. In the frame of the agreement, Mongolia will process mining and agricultural raw materials and export them to China and developing countries.

As Batbold said: "We have asked China to resolve some of our major issues: namely, to increase the number of Mongolian seaports and related transport issues, and China has expressed its support.

"Chinese firms also want to be involved in major mining projects in Mongolia, and the Chinese side will open doors on low interest loans for industrial factories, specifically agricultural product processing factories."

There are currently more than



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700 Chinese enterprises operating in Mongolia, their combined investment accounting for about half of the total investment by foreign-owned firms in the country, and around 50,000 direct jobs. More recently, China's State-owned companies have become involved in oil and mining.

Mongolia's National Chamber of Commerce and Industry is actively cooperating with their Chinese counterparts to encourage the development of SMEs.

'BEER' reform

2010 also marks "the year of business enabling environment (BEER) reform" for the government, which abolished the windfall tax on copper and gold with effect from January 1st, 2011 and passed a concession law to stimulate the growth of Private Public Partnerships.

"To make the business environment more transparent, it is important to adhere to laws and regulations and support the government-defined leading sectors with financial policy and tax exemption. We will also work to increase the number of entities with corporate social responsibility,

environmentally friendly technologies and support regional development" said the Prime Minister. "We attentively listen to business and try to note their criticism and comments in law and decision-making. A real example of this is the investment agreement we conclude on Oyu Tolgoi deposit." The financial sector has also been reformed, with external audits performed on all entities, including the central Bank of Mongolia.

As the Bank's Governor Lkhanaasuren Purevdorj said: "Mongolia has one of the most open economies in the region. Its liberalized financial system, favorable investment legislation and absence of capital controls would provide excellent and competitive investment opportunities."

According to the Foreign Investment and Foreign Trade Agency of Mongolia (FIFTA) Chinese FDI flows are growing in the following sectors: geology and mining, (\$100.1 million); trade and catering services (\$511.34 million); engineering construction, construction materials (\$397.11 million); and light industry (\$55.64 million).

Mining giant displays competitive advantage to China

Having successfully weathered the global financial crisis and its adverse effects on copper and molybdenum prices, Asia's most competitive mining giant Erdenet Mining Corporation has delivered a strategic plan to allow it to keep expanding through the next decade, and beyond.

The main contributor to the development of the Mongolian economy Erdenet Mining Corp (EMC) began operations in Mongolia in 1978. A joint venture between Mongolia, 51 percent, and Russia, 49 percent, the company processes a staggering 25 million tons of ore per year, including more than 530,000 tons of copper concentrate and around 3,000 tons of molybdenum concentrate annually.

With the most up-to-date technology and facilities and a highly trained workforce, EMC has been able to secure consistent and continuous production during its 32-year history, in which time it has produced around 620 million tons of copper ore and 12.6 million tons



Ch. Ganzorig, General Director of Erdenet Mining Corporation LLC

with excellent rail links to China and Russia, Erdenet is now a bustling city that has grown up as a result of the mine's success. In 1979, the company had 2,500 employees, today that figure is almost 6,000 with only 300 of those expatriates.

Its significance to Mongolia's economy, and to the world's copper supply, cannot be underestimated: the company supplies 3 percent of the world's copper concentrate, and is responsible for 15 percent of Asia's total copper export. Out of the 170 companies producing copper worldwide, Erdenet is ranked eighth in terms of competitiveness.

them, particularly with regards to exploration, transportation, and processing costs."

Through careful planning and dynamic leaderships, EMC has managed to achieve impressive growth during its lifetime. In 1980, for example, it had the capacity to explore and process around 8 million tons of ore a year. By 2003, that capacity had increased to 25 million tons per year, and in 2009, the company had reached record levels by processing 26 million tons of ore per year. "We have always managed to reach our goals and fulfill our turnover plans," Ganzorig said.

Development trends

In April, the company approved a strategic development plan to take it through the next decade. "We want to bring the corporation's economic and environment indicators up to the best possible condition," Ganzorig said. "In order to do that, we will implement a policy to improve the technique and technology of non-ferrous metal processing, strengthen



Erdenet processes a staggering 25 million tons of ore a year.

lurgical approach to process copper concentrate.

"We plan to implement an auto transportation conveyor at the ore open pit mining in order to reach our goal of 35 million tons of ore exploration every year."

Other highlights of the plan include the construction of a Level 4 crushing facility within the concentration factory's crushing transportation, construction of a new line, with capacity for 10 million tons at the auto-grinding department, renovation of the third and fourth sections of the concentration, expansion of the thermal power plant, renovation and expansion of service and mechanical plant, renovation and expansion of the computing and automotive section, and thermal and water distribution sections.

Positioning for China

As a global power with a great demand for natural resources, neighboring China is Erdenet's most important international trading partner, responsible for around half of total sales. According to Ganzorig, US analysts IHS Global Insight — recognized as the most consistently accurate forecasting company in the world—have predicted that China's production of industrial goods will overtake that of the US by next year, when it will become the world's leading economic power.

"Copper is a raw material that has a direct influence on the production of industrial goods and economic development," Ganzorig said. "With regards to 2009, China alone consumed just under a third of the

world's copper supplies, 6.9 million tons of the world's copper, and produced 21 percent of the world's industrial goods. Copper prices on the Shanghai Metal Exchange are usually higher than that of the London Metal Exchange, which shows demand for copper on the Chinese local market is much higher than elsewhere in the world," Ganzorig said.

"China's metal and copper smelting factories are located in the north of the country. Because of that, transportation costs and cost for other services are lower if they buy the raw material from us. From the increased copper consumption in China coupled with our competitive advantages, it is clear that EMC and China's mutually beneficial cooperation will increase further."

In recent years we have been able to improve our techniques and technology extensively to position ourselves on a level with similar mining sites in the world. We are ranked 8th in the world in terms of competitiveness."

CH. GANZORIG
GENERAL DIRECTOR OF ERDENET MINING CORPORATION LLC

of copper concentrate.

During the crisis period, the first 8 months of 2008, EMC posted net profits of 115 billion MNT and provided 512 billion MNT to the state and local budget.

The first non-ferrous metal mine, Erdenet expands its production capacity year by year. General Director Ch. Ganzorig emphasized how the mine provides 43 percent of total exports and 40 percent of total industrial production of Mongolia.

Situated 400 km northwest of the Mongolian capital, Ulaanbaatar, and

As Ganzorig observes: "We have established a reputation in world copper concentrate and have been given a 'credible partner' tribute of international trade from the London metal stock exchange.

"In recent years, we have been able to improve our technique and technology extensively, including our technological progress, product outcome, quality, metal outcome and as a result, we have been able to position ourselves on a level with similar mine sites in the world, and by some indicators, even surpass

our technological and economic links, and network with the country's other industries. We also want to establish and build factories that will produce end products.

"In short, we want to:
* expand our factory base for minerals and raw materials
* improve on current technology and implement new technologies in the current process
* establish a factory that will produce copper lines, copperplate, pure cathode copper and molybdenum products by using a hydrometal-

Erdenet Mining Corporation LLC
Amar Square-1, Erdenet City 213900, Mongolia.
mail.erdenetmc.mn www.erdenetmc.mn



New mining projects will see economy soar

Contract revenues transform Mongolia's landscape

Dependent on mining for a third of its GDP, the Mongolian economy is set to expand even more, with the country's National Development and Innovation Committee predicting growth of around 20.8 percent within three years, thanks to new mines that are coming on-stream.

With plentiful and largely untapped natural resources, mining holds the key to Mongolia's economic sustainable development in the coming years.

The potential transformation of the country on the back of a flourishing mining industry will be huge; energy plants, railroads and rural airports will need to be upgraded to support production, and there will be a strong impact on related sectors, such as transport, energy, construction, and finance.

Subsequent movement of the largely rural population to new growth areas will also impact on the building and staffing of schools,

houses, and hospitals.

Responsible for 80 percent of the country's export returns and a significant provider of jobs, the mining sector needs careful management if it is to fulfil its potential and provide the revenues needed to develop the country.

Dashdorj Zorigt, Minister of Minerals and Energy said: "For the future, we are going to work hard to ensure that deposits that have been discovered in Mongolia come to production and that these deposits benefit the country's economy and the living standards of the population. Secondly, we will create significant national companies that will in turn develop energy and resources.

"We are also looking to make sure these projects benefit things like transit transportation, and the external factors that influence the country's economic course."

Erdenet, the largest state-owned mining company is responsible for



Dashdorj Zorigt,
Minister of
Minerals and
Energy

30 percent of the country's GDP and is a Mongolian success story. A Russian-Mongolian joint venture since the 1970s, Erdenet is now looking to be listed on the Hong Kong Stock Exchange.

Setting new precedents

This year, the government finalized a deal with Rio Tinto and Ivanhoe Mines to mine Oyu Tolgoi (OT) in the south Gobi desert, which has the largest undeveloped copper deposits in the world.

"This is a major investment project that will affect the country's economy in a very significant way from 2013, when the mine is due to come into production," Zorigt said. "We expect the investment plan of the project to



S. Baldandorj,
General
Director of
Mandal-Altai
Group

be around \$700 million and create significant jobs and businesses for Mongolian companies here."

The Oyu Tolgoi company, which is 34 percent state-owned, represents an unprecedented boon for the economy, with GDP slated to rise by a third, year on year. As Minister of Finance Bayartsogt Sangajav said: "I was the chief negotiator in the last stage of the Oyu Tolgoi agreement and finalized the agreement representing government's side. This was a difficult task because of the various interests that were represented from both the government but also between the parties involved in the negotiation. It was a difficult task, but I couldn't be more happy or proud about the achieved result."

The agreement will bring much-needed jobs, infrastructure, education and training initiatives and of course, wealth to the country.

It will also boost relations with China, as the Governor of the central Bank of Mongolia Lkhanaasuren Purevdorj observed: "The OT project will expand the Mongolian Chinese Partnership and increase trade between the two nations."

Another lucrative project, Tavan Tolgoi, boasts the largest undeveloped coal reserves in the region, with an estimated 7 billion tons of coal. Tavan Tolgoi will remain 100 percent state owned, operating as Erdenes MGL and there has been substantial interest from contractors around the world.

"We are working to reserve an opportunity to create capital for our citizens, develop capital market, connecting them with the major creation and projects and establishing national companies," said Minister Zorigt.



Salkhit wind farm developed by Newcom.

"Only if 'Erdenes MGL' remains national and leads in the region and world, we will develop.

"Let's take an example from Hyundai, Mitsui. They are all state-owned companies, but they can distribute their wealth to the people through shares. Now they are recognized around the world.

Erdenet represents Mongolia at the world capital market. Likewise, 'Erdenes MGL,' on an even bigger scale, can represent Mongolia to the world."

area of China, where they hope to become a major supplier. It will be financed 100 percent by the company.

General director of Mandal-Altai Group LLC, S. Baldandorj, said: "Once the refinery is built, we envisage producing a million tons of coking coal per year."

The Mongolian government is now looking at developing capital markets to better facilitate FDI. "Commercial banks are serving as major sources of lending to our



Mongolia is a country that is looking to develop its energy and resources sector through mutually beneficial cooperation between local companies and foreign investors."

DASHDORJ ZORIGT
MINISTER OF MINERAL RESOURCES AND ENERGY

Established in 1990, Mandal-Altai Group LLC has interests in construction—it recently rebuilt Chinggis Khaan airport—services, and agriculture, as well as mining. Mandal Khuder LLC, its mining subsidiary, owns special licences for a coalmine in the Gobi-Altai region, some 156 kms from the Chinese border. The company has extracted more than 6,000 tons of coal since 2005, and is expected to extract 12,000 tons this year alone.

A coal preparation plant is being built in Hami, in the Zhangjiagang

projects, but both domestically and externally we have to look to developing our capital markets, making sure the domestic markets are in place and available for people wishing to invest their money this way," said the mining minister.

"We have announced the international bid for our stock exchange and are planning to privatize this in the near future. We also want to make sure Mongolian companies can access the external capital markets and are able to draw resources from there."

Commodity	Annual Production				Proven Reserve	Probable Reserve
	2006	2007	2008	2009		
Coal	8mt	8.8mt	9.8mt	13.2mt	20bt	152bt
Copper	0.37mt	0.37mt	0.36mt	0.37mt	67.3mt	1.2bt
Gold	22t	17t	15t	10t	136t	125,000t
Iron Ore	0.18mt	0.26mt	1.39mt	1.38mt	264mt	1.6bt
Uranium	0	0	0	0	-	62000t (resource)

Major players				
GOLD	COAL	COPPER	IRON	URANIUM
Centerra Gold MAK Darkhan Steel Mongol Gazar	Tavan Tolgoi South Gobi Energy Resources QGX Mongolia Energy Corp. Peabody Hunnu Prophecy	Erdenet Oyu Tolgoi	Darkhan Steel Iron Ore International Mining North Asia Resources	Cameco Areva

Safeguarding the economy

Tasked with promoting the balanced and sustainable development of the economy, Bank of Mongolia functions independently of government to ensure price stability and a robust financial sector.

Since the global crisis in 2008, which hit Mongolia hard due to a sudden and precipitous slump in mineral prices, the Bank has recovered gross international reserves to the tune of \$1.3 billion, thanks to strong macroeconomic policies and the support of the International Monetary Fund. By December 2009, annual inflation was contained at 2 percent and new reforms have been introduced.

"Bank of Mongolia welcomes a consolidation of the sector which would create a more sound and competitive environment for strategic foreign investors," Bank of Mongolia Governor Lkhanaasuren Purevdorj said.

"The revision of the deposit guarantee system, from general coverage to a more classical one, the capital adequacy ratio requirements increase for banks from 10 to 12 percent and enhanced banking supervision would further stabilize the financial system. Bank of Mongolia is monitoring the credit quality closely and stands ready to take action, as needed, to secure stability and bolster confidence in the banking system."

Optimistic economic forecast

With the country's mining sector recently developed for expansion, the economic forecast is optimistic for this year. Expansion will bring new investment, jobs, export income and a surge in government revenue that could fund social and development spending, but there will be challenges, as the governor explained.

"Increased demand for labor and materials, plus higher incomes and public spending, could easily spur inflation to double-digit rates, while wages in mining and public services are likely to go up," he said. "An increase in the role of mining in the country would also amplify the economy's vulnerability to fluctuations in global copper prices. Managing windfall revenue and smoothing public expenditure will be critical to avoid such boom-and-bust cycles."

The government has proposed strategies to combat these challenges, including the introduction of a fiscal responsibility law. It has also put in place a stabilization fund to manage revenue volatility, although it will take



Lkhanaasuren Purevdorj,
Governor of
Bank of
Mongolia

several years to build up enough reserves to buffer the economy.

A liberalized economy

As one of the most open economies in the region, Mongolia benefits from a liberalized financial system and favorable investment legislation. The absence of capital controls would, Governor Purevdorj believes, provide excellent and competitive investment

opportunities.

"Mongolia is a country on the point of transformation. It has some of the richest mineral deposits of copper, coal, gold and uranium reserves, rivaling those of Kazakhstan and Australia," he said. "As these resources are brought to market, Mongolia stands a good chance of becoming the fastest-growing economy in the world over the next decade.

"The government has already taken action to pursue a policy to support foreign investors' interests in Mongolia by creating an attractive legal environment, upgrading the economic competitiveness of the country, making trade more efficient, increasing investment and involving foreign investment in proper ratios for the implementation of mining and other projects."

The recent abolition of the windfall profits tax law is a further proof of the government's willingness to promote an attractive legal environment for foreign investors in the mining sector. Parliament is also expected to adopt an integrated budget law and a fiscal stability law that will put a framework for managing mining revenues in place.

Toward a strong financial sector

While Mongolia's financial system has been growing rapidly, commercial banks hold 90 percent of the financial sector's assets. Insufficient development of the sector has been a key constraint to stable and broad-based economic growth.

Early this year, Bank of Mongolia was given more powers to regulate the financial sector. A restructuring strategy has been submitted to improve the functioning of the banking sector and put in place a transparent mechanism for timely and cost-efficient bank resolution techniques. Meanwhile, the Financial Regulation Committee, set up in 2006, has undertaken several initiatives to improve the legal, regulatory and supervisory environment of the non-bank financial sector.

Oyu Tolgoi: A catalyst for change

The Oyu Tolgoi copper-gold project, Mongolia's largest ever mining development, marks "one step forward for the economy", according to the President of Mongolia, Tsakhiagiin Elbegdorj.

Following a landmark agreement between Canada's Ivanhoe Mines Mongolia Inc and Rio Tinto, which took effect in March this year, the South Gobi desert mine will become operational in 2013.

Its lifespan has been set at 65 years, and it will require an initial capital outlay of approximately \$5 billion, making it not only the largest mine development project, but also the largest foreign investment in the country's history.

The discovery of major mineral deposits in 2001 by Ivanhoe was made after an intensive exploration program in the country. The local company was renamed Oyu Tolgoi LLC in December 2009, and today, the project is 34 percent owned by the Mongolian government.

Mining a brighter future

The mammoth project will be a catalyst for Mongolia to expand its manufacturing and industrial sectors.

Mongolia's gross domestic product is projected to rise by an average of 34 percent per year, and national employment levels are slated to go up by 10.3 percent a year. Of the 4,000 jobs created for the construction phase, 67 percent have gone to Mongolian nationals.

"Oyu Tolgoi respects the needs and customs of the local communities and will ensure Mongolia and Mongolians benefit from this investment," said Keith Marshall, CEO of Oyu Tolgoi and a "mining nomad" who has been in the business for over 30 years.

The project will benefit regional infrastructure, generating new road links, electricity generating stations and power transmission lines.

Oyu Tolgoi is committed to community support initiatives, with priorities in education, health, rural business, small and medium enterprise and herder-support programs.

The company recently signed a Memorandum of Understanding with the Ministry of Education which will see Oyu Tolgoi invest a minimum of \$58 million over the next five years to develop a strong Mongolian workforce suitable for Oyu Tolgoi and other mining projects throughout Mongolia.

Plans are afoot for the setting up



Keith Marshall,
CEO of
Oyu Tolgoi LLC

of two mining-focused professional training and vocational centers and a student scholarship scheme.

"It is a great pleasure to be in Mongolia and to be dealing with such a phenomenal country with so much tradition, pride and history," Marshall said.

"Within Oyu Tolgoi and Tavan Tolgoi, a coal mine also in South Gobi, we have world-class mineral deposits that could run for 50-100

years. Mongolia has a population of 2.7 million people. It is very unusual to find two major deposits like that coupled with such a small population. The per capita potential is enormous."

High production yields

With the future mine sitting just 120 km north of the Chinese border, and relations continually being strengthened between the two countries, China is an important potential customer.

To facilitate access, Oyu Tolgoi LLC will be developing a road system to link the mine to China at the point where many of the goods and services come in.

"We have a huge advantage in relation to the low freight costs involved, compared to other countries that have to put their concentrate on a ship for 6-8 weeks for example," Marshall said. "We haven't yet developed our marketing strategy, but we will certainly be in discussion with China."

Oyu Tolgoi believes production yield will be somewhere between 450 and 555,000 tons of copper, and around 650,000 ounces of gold per year for the first 10 years and that the mine may become one of the three largest copper mines in the world.

In July this year, the company began construction on a \$1.2 billion copper-gold concentrator. One of the most significant parts of the Oyu Tolgoi mining process, the concentrator enriches mined copper ore to produce a concentrate that is then sold to clients for smelting and refining. Once up and running, the device will treat up to 100,000 tons of ore a day.

"The concentrator will be one of the best of its kind," Marshall said. "We are aiming to use only world-class technology at Oyu Tolgoi."

Oyu Tolgoi has pledged to ensure Mongolia's sustainable development and will be complying with local and international standards to safeguard the South Gobi environment and the mine's employees.



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Infrastructure holds the key to development

Scores of potential exist for Chinese firms

With a welcoming business environment and entrepreneurial culture, Mongolia is open to investors across all sectors.

Energy, infrastructure and tourism are full of potential in a country that wishes to take advantage of its strategic location between China and Russia.

An efficient and transparent energy sector is vital if the predicted growth is to take place. Mongolia is hungry for the foreign technologies that can increase energy efficiency and help it develop renewable energy resources.

As such, there are many opportunities for potential commercial cooperation in renewable energies, something the government is particularly keen to develop to alleviate pollution in the capital from nearby coal burning.

One of the first private companies to be established in democratic Mongolia, Petrovis was set up in 1997 and is a pioneer in modern petroleum distribution equipment.

A fully integrated oil and gas company, the Petrovis conglomerate deals with import, storage, marketing and the distribution of petroleum products in Mongolia. It also has more than 400 gas stations spread throughout the country.

Using a strong marketing strategy, Petrovis has succeeded in building a strong brand identity.

The company's strategy for sus-

tainable growth, with the rising energy and future oil supply concerns, is aimed at discovering new opportunities in Mongolia's energy sector, developing projects targeted for efficient use of energy, exploring alternative energy resources and developing upstream business operations.

Enkhchimeg D., CEO of Petrovis, said: "We have started exploring more and more oil reserves in Mongolia as we saw that there is an extreme need of refineries. This will be one of our main priorities."

"Chinese companies have already entered the Mongolian upstream market and it would be helpful for them—and also for Mongolia's domestic needs—to build a refinery to integrate the petroleum supply.

"As Petrovis represents most of the oil and gas sector in Mongolia, we are open to cooperate with Chinese companies in developing this sector into a fully integrated business or cycle. The security of the supply is also a top priority," she added.

Wind technology

Mongolia benefits from abundant wind resources with a wind-power generation potential estimated at 2,550 billion kWh, according to the Mongolia Renewable Energy Center and the US National Renewable Energy Laboratory. Capacity is currently 8 Gw, but strong efforts



from government and private sector companies such as Newcom Group are aiming to increase that to 57 Gw by 2020. With China fast becoming the world leader in wind energy technology and use—it has a total installation of 25.8 Gws, which is slated to rise to 127Gws by 2020—Mongolia is positioning itself to harness its substantial wind power to boost China's energy base.

Newcom Group, a private investment firm, is developing Mongolia's first wind farm, at Salkhit Uul (Windy Mountain), about 70 km from Ulaanbaatar.

The pioneering group, which has a diverse investment portfolio, plans to connect the renewable energy to the Mongolian national grid in what will be Mongolia's first commissioned energy generator in 30 years.

B. Bold, Newcom Group's CEO said: "Our vision is to harvest the

North Asian wind, install 10 GW wind parks in Mongolia and transport green energy to China.

"This will meet China's rising demand for power while making coal-based Mongolia, and industrial China, greener."

Building the economy

For landlocked Mongolia to grow at pace, widespread infrastructure development is crucial. The country benefits in competitive terms from its proximity to China, but the Ministry of Road, Transportation, Construction and Urban Development is spearheading development in this field, and has ambitious plans across all spheres, from railway, aviation, and road networks to housing and industrial parks.

Gombojav Zandanshatar, minister of foreign affairs and trade, said: "Our investors' confidence is

Investors confidence is mostly related to the legal environment surrounding large strategic projects."

GOMBOJAV ZANDANSHATAR
MINISTER OF FOREIGN AFFAIRS AND TRADE

mostly related to the legal environment surrounding large strategic mining projects. Creating the legal environment for putting the strategic deposits into economic circulation will embark a great development era in our country. This, subsequently, will create vast opportunities and room for investment in infrastructure, including roads and railways, energy export plants, urban construction, light industry, food production sectors have large potentials. I do think we will manage to seize the opportunity

within a short period of time."

Despite tourism being a fledgling industry, Mongolia boasts some excellent accommodations. Situated in the business and cultural heart of Mongolia, the Chinggis Khaan complex was the hotel choice of Chinese Premier Wen Jiabao during a state visit to Mongolia in June.

Offering comfortable guest rooms and Mongolian and international cuisine, the sumptuous hotel boasts fully equipped conference facilities and is the only full service hotel in the capital.

Railway plan will transport Mongolia into a 21st C economy

A largely untapped, mineral-rich country with proven industrial potential, Mongolia is on the verge of huge economic growth.

The combination of a small population — just 2.9 million people — and high gross domestic product have led financial analysts to compare it with the thriving economies of Chile and Kuwait which, with a similar ratio, are now significant world economies.

With its proximity to China—the number one commodity consumer in the world—and a flood of foreign liquidity waiting to pour in, the Mongolian government is ready with new investor-friendly laws and policies in place for the country to become a 21st century nation.

GDP could grow eight-fold. Rich in coal, iron, copper and crude oil, industrialization could increase Mongolia's GDP eight-fold to a staggering \$41 billion in 11 years.

The government's National Development Strategy, which is linked to the United Nations Millennium Development Goals, has pinpointed growth of around 14 percent between 2007 and 2015, and a further 12 percent between 2016 and 2021.

As a landlocked country, it is vital that transport links are developed to fully capitalize on these advantages, which is where the Ministry of Roads, Transportation, Construction and Urban Development comes in.

Headed by former wrestler and businessman Khaltmaa Battulga, the Ministry has unveiled exciting plans for new infrastructure that will help the industrial sectors blossom and reach the Chinese market with ease.

As Minister Battulga explains, it is the start of a new era for Mongolia, but the growth depends on how the infrastructure is coordinated.

"Oyu Tolgoi and Tavan Tolgoi, respectively lucrative copper and



Khaltmaa Battulga, Minister of Roads, Transportation, Construction and Urban Development

coal mines, are located in the South Gobi desert, about 120 km from each other and are also both very close to the border with China, our biggest trade partner," he said.

"We are planning to have as much value-added processing done inside of Mongolia, at a new industrial park based in Sainshand, a town that already has urban infrastructure and is close to China."

Two-way partnership

Working on the outcome of an integrated mining and railway infrastructure development study done in partnership with global management consulting firm Boston Consulting Group, the ministry is planning important changes that will help create a thriving, sustainable economy for the future.

One aspect of the plan is to build a new railroad from the Tavan Tolgoi Mine to Sainshand, and from there, a 570 km railroad to Choybalsan in the east.

The industrial cluster at Sainshand will have all the facilities needed to process iron ore, copper, coal and crude oil, including a coke plant, a copper smelter and an oil refinery. From there, the goods can be exported to China, Germany, South Korea, Japan and other markets.

Chinese experience in this area will be most welcome, the Minister states.

"China is participating in, and financing, many infrastructural projects in continents such as



Mongolia's far-reaching transport agenda will see new railroads built and existing ones upgraded.

Africa and the Latin America countries. As we are neighbors, it seems only right that we accept their experience.

"In the same way, we have to participate in China's growth. For instance, it might be a challenge for 1.4 billion people to have economic growth; everyone would like a house and everyone would like a car. So there will be greater demands on electricity and energy.

"If there is a power shortfall, we could manufacture and export electricity; if there is a petroleum shortfall, we could provide coal or gas.

"We would like more Chinese business people to talk to us."

The new railroads, which will be constructed on a build-operate-transfer basis, will complement the existing network, which is now

slated for modernization.

Ports and aviation

Minister Battulga would also like to see rail connections to Kazakhstan, Tuva and Kashante, although further feasibility studies will need to be done. He has also studied the potential seaport connections.

"The closest sea port to Mongolia is Tianjin, the Chinese mainland, some 1,800 km away, so that link will obviously depend on the value of the product. We are also looking into reaching other ports in China that have less capacity or congestion, such as Qinhuangdao.

Ministry of Road, Transportation, Construction and Urban Development
Government bld-12, barilgadachdiin talbai-3, Ulaanbaatar 15170, Mongolia
www.mrtcud.gov.mn

Air links will be another significant factor in the country's development. While privatization is not on the cards, MIAT Mongolian Airlines, the country's flagship airlines, is being scrutinized for further improvements and will undergo a restructuring to improve operations as part of the ministry's plan.

The airline, which has qualified 100 percent in the IATA operational safety audit, has successfully introduced an e-booking reservation system and begun code share flights with Aeroflot and Korean Air in the last year. It also operates daily flights to Beijing to meet the

business demands of customers. The ministry is also looking into highway and housing projects that will create new jobs.

When asked about his wrestling career, which he insists was not especially significant, Minister Battulga had this to say.

"In the 1980s, only ministers and sportsmen went overseas. Back then, based on some of the places I visited, I used to think that I would like Mongolia to develop in the same way, and I think that might have made a difference. It might, for example, be that exposure that gave me the drive to be here today."

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