



# BUSINESS COUNCIL of MONGOLIA

## NewsWire

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### NEWS HIGHLIGHTS:

- Business:** *Canadian Minister cautions against State ownership; Asgat deposit on rocky road; MSE attacks Mongolian minerals sold on foreign exchange; Eznis expansion takes off*
- Economy:** *Ban on liquor outlets; Government offers tax amnesty; PM tackles illegal mining; Mongolia in six-nation rail cargo deal; India to send rice and sugar to Mongolia*
- Politics:** *MP under investigation gone abroad; New Anti-Corruption chief appointed; Women candidates face setback; Inspection agency head resigns*

### BUSINESS

#### CANADIAN MINISTER CAUTIONS AGAINST STATE OWNERSHIP



Canadian Trade Minister, David Emerson has cautioned the Mongolian Government over State ownership of mineral deposits advising they can become 'the long arm of another country and expose the country's resources to others.' He said a sound regulatory climate that identified royalty and tax regimes and ensured wealth created was shared in the community, eliminated the need for State control.

He met the President, Prime Minister and his counterpart, Foreign Minister S. Oyun during a whirlwind one-day visit to Ulaanbaatar January 9 and left with a commitment to put an 'Investment Promotion and Protection Agreement' in place to foster reciprocal investment between Mongolian and Canadian investors.

He said his visit was to strengthen bilateral trade and investment and was non-committal on the state of Oyu Tolgoi other than saying Canadian investors knew it was in a critical phase. He said negotiations had reached an 'inflection point,' and could continue to grow and stabilize and become entrenched with benefits flowing into the economy - or go backwards and if this happened it would be extremely tough for Mongolia to reverse it and go forward again.

He announced the appointment of honorary counsel, Alain Fontaine during his visit as evidence of Canada's deepening commitment to a stronger presence in Mongolia, and plans to continue discussions for a Canadian Embassy.

It was the first visit to Mongolia by a Canadian Minister in 10 years.

Read more: [afp.google.com/article](http://afp.google.com/article)

#### ASGAT DEPOSIT ON ROCKY ROAD

Ownership of Asgat silver deposit in Mongolia's extreme northwest Bayan Ölgii Aimag has reached a stalemate. The deposit is one of Mongolia's richest underground resources and internal debate in the Mongolian Government has split views in two. Prime Minister Bayar and his supporters say it is best with 50 percent ownership in the hands of the Russian-Mongolian venture, Mongolrostsvesmet Company, owned by Russian oligarch Suleyman Kerimov, because it invested in testing the ores; has the closest metallurgical processing plant and the only route to the site from Russia.

MPs opposing the suggestion claim Asgat is 100 percent in Mongolian territory, 600ms from the closest Russian border point and it is possible to construct an eight km road to the site through marshes, currently a barrier to access from the Mongolian side. They are concerned that the two aimags' MPs have not opposed Russian ownership and failed to protect job creation and wealth to the region.

Prime Minister Bayar's suggestion as per Mongolia's Minerals Law of 50 percent to Mongolrostsvesmet Company, who would mine the deposit through their subsidiary, 'Asgat

Polimetal, and 50 percent to the Mongolian Government, has raised suspicions among some MPs. They said an earlier agreement, which was supposed to have been cancelled under the previous Prime Minister, might not have been cancelled at all.

The deposit's reserves are valued at over USD one billion.

The debate continues in Parliament as of January 16.

Source: [www.russia-intelligence.fr](http://www.russia-intelligence.fr); *Udrin Sonin* daily news

### MSE ATTACKS MONGOLIAN MINERALS SOLD ON FOREIGN EXCHANGE

Mongolian Stock Exchange (MSE) officials, including director R. Sodkhuu and other department heads, told a press conference on January 10 of an emerging controversy between the MSE and foreigners selling Mongolian mineral resources on the Toronto Stock Exchange.

Mr Sodkhuu said the MSE has prepared an amendment to relevant laws to open the way for nationally incorporated companies in the minerals sector in 2008, to sell shares on the MSE to overcome the dilemma.

Source: Ardiin Erkh

### EZNIS EXPANSION TAKES OFF

Eznis Airways is the first private Mongolian Company to receive a US Government grant in conjunction with the US Trade Development Agency. The grant has enabled Eznis to contract US Consulting Firm IOS Partners - a leading international provider of aviation strategic and economic consulting services - to design and implement Eznis expansion plans. Specific objectives include conducting a study confirming expansion potential; assessing and validating technical, legal, political, economic and financial aspects of expansion; developing business strategies and a business plan for the expansion and to attract equipment lease financiers and equity investors through a memorandum to fund the expansion.

The official signing ceremony will be held January 18 in Ulaanbaatar.

Source: Eznis Airways, Ardiin Erkh newspaper

## **ECONOMY**

### BAN ON LIQUOR OUTLETS

Mongolia's major alcohol outlets in Ulaanbaatar's Baganuur District remain banned from alcohol sales following 15 deaths from poisoned vodka. More than 60 citizens are receiving medical treatment in local hospitals in the District's hospitals and about 30 are under medical supervision after drinking poisoned vodka during New Year's eve celebrations. Only a small number of shops in the center of Ulaanbaatar have had the ban lifted.

General Police Department Chief, M. Ganbold, said seven men are under investigation in connection with the importation of 600 liters of methanol, industrial strength alcohol, believed to have been used in the poisoned vodka.

Deputy Prime Minister and working group leader to investigate the incident, M. Enkhbold has appealed to the public not to celebrate February's national Tsagaan Sar lunar-new year holiday with vodka.

The city Mayor's office and metropolitan police have inspected vodka outlets and temporarily suspended business of 3,949 outlets, seized 39,400 liters of vodka, sealed 1.2 million bottles of vodka and shut down 11 distillers operations in a bid to control the incident.

On January 11, the Government invalidated 11 outlet's production licenses including: Akhmadiin Khuch Cooperative, Mon Service, Gazriin Sudas, Tasiin OD, En Trade, Nomin, Lenda, Mongolyn Alt, Durvun Khangai, Setgeshgui Tergel, and Gun Galuut companies and suspended 44 alcohol-bottling companies for an indefinite period.

The Government plans to tighten laws on vodka production to reduce illegal and marketing. Laws targeted for amendment include commercial advertising, telecommunications, broadcasting over public radio and television and the application process for special licenses of operation and laws against drunkenness.

The Government has awarded MNT900,000 to family and relatives of the deceased.

Read more: <http://ubpost.mongolnews.mn>; The Mongol Messenger

#### GOVERNMENT OFFERS TAX AMNESTY

A tax law approved January 10 offers a pardon to domestic and foreign companies who have failed to declare their taxes. They have from January 1 until July 1 to pay taxes for: Value Added Tax, personal income tax, economic organizations tax, customs tax, excise tax, fuel tax, firearms tax, freight tax and property tax.

Member of Parliament, A. Bakei said organizations already before the court for tax avoidance were not eligible for the amnesty and National Soyombo Movement chief, D. Lkhagvajav said the amnesty worked against those who had paid their taxes over the years and experienced problems from time to time, but still met their tax commitment.

Parliament will amend and tighten the General Taxation Law soon and taxpayers who have failed to declare their taxes by July 1 will be fined an increased amount.

Read more: UB Post, Montsame National Newsagency

#### PM TACKLES ILLEGAL MINING

Prime Minister S. Bayer challenged Khongur Soum citizens who faced the impact of a major cyanide and mercury spill in February 2007 from illegal mining, to deal with mineral exploration licences and cease illegal mining activities.

He told soum citizens in his address week one in January that poverty could no longer be used as an excuse for illegal mining and the thousands of licences issued had got out of control.

He urged local citizens to comply with the law and said the Government would work to address the soum's illegal mining activity issues.

Source: Onoodor

#### MONGOLIA IN SIX-NATION RAIL CARGO DEAL

Mongolia is one of six countries that signed a memorandum on expanding cooperation on railway transport expected to boost trade and cargo flows between Asian and European Railway authorities, January 9.

The six countries - Mongolia, China, Russia, Belarus, Poland and Germany - agreed to create conditions to pave the way for a regular container train service between Asia and Europe and to collaborate on customs and border patrols to simplify transit procedures and minimize time needed for container trains to cross borders.

The agreement marks the first time governments of the six countries have reached a consensus on the route.

Source: [www.chinadaily.com.cn](http://www.chinadaily.com.cn)

#### INDIA TO SEND RICE AND SUGAR TO MONGOLIA

The Indian government will provide 5,000 tons and 5,000 tons of sugar to Mongolia following an announcement January 15. It will invite tenders for the supply with the winning bid being announced in the 2008 summer.

India's State Trading Corporation will sponsor the food supply and said in a statement the government would deliver it under the Humanitarian Assistance Program

The bid specifications require delivery of the supplies to Mongolia by the end of August.

Source: [www.mongolia-web.com](http://www.mongolia-web.com)

## POLITICS

### MP UNDER INVESTIGATION GONE ABROAD

Former Health Minister and current MP, L. Gundalai, under investigation for several serious incidents of corruption, including involvement in the missing money from the Mongol Savings Bank with three other MPs, has allegedly left the country. *Onoodor* Newspaper reported Independent Agency Against Corruption Investigation (IAAC) Office chief, E. Amarbat said Gundalai informed the IAAC of his plans and was allowed to go abroad because he was taking his ill daughter for treatment.

Source: *Onoodor newspaper*

### NEW ANTI-CORRUPTION CHIEF APPOINTED

New Anti-Corruption Authority (ACA) chief, Ch. Sangaragcha met President N. Enkhbayar on January 8 and advised him of the Agency's new directions. He said it would work without fear or favour with its increasing work volume. The ACA has sent personnel abroad for professional development and would focus on improved human resource capacity in 2008.

Read more: Montsame National Newsagency, The Mongol Messenger

### WOMEN CANDIDATES FACE SETBACK

Women as candidates for elections faced a setback with an amendment to the provision of the Election Law that specifies, 'not less than 30 percent of candidates should be woman.' The amendment, submitted to parliament by two male MPs revokes the quota and created controversy among female politicians and supporting male MPs.

The amendment reverses the Parliamentary position to implement state policy with step-by-step measures, 'increasing women's participation in decision-making levels and providing gender equity' in the Mongolia's Millennium Development Goals, approved with the 25th resolution by Parliament, April 21, 2005.

Read more: The Mongol Messenger

### INSPECTION AGENCY HEAD RESIGNS

State Professional Inspection Agency (SPIA) Chairman D. Batbaatar announced he would resign from his position on his own accord on January 11 and on January 16, Prime Minister S. Bayar discharged him from his position.

Tserendulamiin Shiirevdamba, former State Secretary of the Ministry of Nature and Environment has replaced him as acting head on the Prime Minister's order.

Media sources assumed Mr Batbaatar's resignation was connected to a serious cyanide poisoning that occurred in Khongor soum, Selenge aimag in February 2007.

Prime Minister S. Bayar apologized to Selenge aimag citizens while in Khongor soum, on behalf of the Government and the SPIA for their failure to act promptly on the incident, on the same day Mr Batbaatar announced he would resign,

Mr Batbaatar and SPIA vice chairperson J. Enkhbayar had faced demands to resign earlier from civil movement leaders with claimed they were incompetent in their jobs.

Civil movement leaders, led by Ikh Nam (Great Party) head, J. Batzandan called for the resignations and delivered their request to Government and officially announced they would start a hunger strike January 9 in the SPIA head's office.

Source: the Government Press Office, Montsame National Newsagency

## ECONOMIC INDICATORS

### CURRENCY RATES - January 17 2008

Currency name	Currency	Rate
US dollar	US \$	1170.44
Euro	EUR	1734.30
Japanese yen	JPY	11.02
British pound	GBP	2295.35
Hong Kong dollar	HKD	150.09
Chinese Yuan	CNY	161.78
South Korean won	KRW	1.25
North Korean won	KPW	8.18
Canadian dollar	CAD	1145.69
Australian dollar	AUD	1031.98
Taiwan dollar	TWD	36.27
Indonesian rupiahs	IDR	0.12
Malaysian ringed	MYR	358.21
Singapore dollar	SGD	818.95

### INFLATION

December 12 2007	
October	0.6
YTD 2007	13.2