



BUSINESS COUNCIL of MONGOLIA

NewsWire

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NEWS HIGHLIGHTS:

Business: *Asgat deposit saga drags on; Mining issues reawaken in the new year; MIAT increases passenger capacity; Microsoft to open Ulaanbaatar Office; Darkhan Plant to process iron ore*

Economy: *Renovated apartments save costs; Best business plans rewarded*

Politics: *Government-private sector unite for development strategy; Women protest over election quota; Tax amnesty with Parliament; President to renew national security*

With Tsagaan Sar approaching on Friday, February 8, we wish all "Success and Well Being - Have a Good Lunar New Year!" and a note to expect [BCM NewsWire 14](#) - on Friday, February 22.

BUSINESS

ASGAT DEPOSIT SAGA DRAGS ON

A decision on the stakes of ownership in Asgat Silver Deposit remains in abeyance following expectations Parliament would release information on the Government position in the last week of January. A working group has been formed to present amendments to the Minerals Law and Investment Law to Parliament for discussion by the Parliamentary Economic Standing Committee, on February 5 and the Democratic Party (DP) has tabled three issues to be included in the draft bill before it will agree to amendments to the Laws.

The working group of eight, with four members from each party including the Prime Minister, has been asked to amend the Minerals Law and investment law within the February 5 deadline. DP council leaders and the MPRP group negotiating with the Prime Minister agreed with further delay and formed the working group at a meeting on January 23.

A majority of members of the Committee supported a proposal to postpone a decision on discussion of mining and minerals issues, including Asgat Silver deposit, until the Working Group issued its conclusions on the Minerals Law and draft bill.

The members asked for the draft bill to be returned to legislators drawing out, yet again, a decision on the share of the Asgat Silver Deposit submitted to Parliament on January 16 where the Democratic Party delayed a decision by asking for a break so they could study the draft bill in detail.

In political circles, demand for transparency grows in the Asgat Deal as some political parties and politicians expressed surprise that the Government did not give international companies a chance to bid for the deposit. The Government has stood by its claim that the only company to show any interest in joint and equal ownership of the deposit has been the Russian Polymetal LLC.

The Government has submitted the draft agreement on 50:50 ownership of Asgat between Russian company, Polymetal and the Government to the Parliamentary Economic Standing Committee several times.

Read more: [The Mongol Messenger](#), [Mongolnews](#)

MINING ISSUES REAWAKEN IN THE NEW YEAR

Mongolian newspapers, *Zunii Medee*, *Unuurdur* and *Udriin Sonin* have reported Mongolian politicians and associated mining organizations' views on Asgat Silver Deposit, Oyu Tolgoi and Tavan Tolgoi and the draft investment agreements remain confused and discussions in Parliament have shown no progress to a decision over draft investment agreements.

MPs and leaders of political parties are debating over ownership and issues including the windfall tax. Among the diverse views, MP B. Batabayar called for one law for all mineral deposits and said that the same principles should be applied to all deposits and Mining engineer and economist, S. Avirmaid said Mongolia could easily find another partner if Ivanhoe Mines did not accept Mongolian laws and it was essential to prioritize the interests of Mongolian citizens.

Parliament is waiting for the findings from the working group to further discussions and decision - making in the final session of Parliament next week.

Sources: *Zunii Medee, Unuurdur and Udriin Sonin*

MIAT INCREASES PASSENGER CAPACITY

MIAT Company plans to lease an Airbus-300 and a BOEING-737 from Irish company, CIT Aerospace international to handle increasing passenger numbers.

The company will receive the Airbus-300 under full ownership in May 2008 and return the BOEING-737 in 2010. Cabinet members supported the Company's plan to expand its fleet.

Source: Montsame National Newsagency

MICROSOFT TO OPEN ULAANBAATAR OFFICE

Information, Communication and Technology Authority Chairperson, Ch. Saikhanbileg met Microsoft Corporation president, Bill Gates at the European Union Leaders' meeting in Berlin January 23 to 24, 2008 and discussed the rapidly developing information technology industry in Mongolia.

Mr Gates agreed to open an authorised Mongolia Microsoft Resident Representative office in Ulaanbaatar and to sign three cooperation documents on accelerating IT development in four directions. The Microsoft Office program will be translated into Mongolian, and operation of Mongolian IT companies will be encouraged and promoted. The IT development project will commence in March, and related documents and agreements will be completed in May 2008.

Source: Montsame National Newsagency

DARKHAN METALLURGICAL PLANT TO PROCESS IRON ORE

The state-owned Darkhan Metallurgical plant plans to expand its operations by mining and processing iron ore beginning in spring 2008. The plant will extract iron ore from deposits in Tumurtei, Tumurtolgoi and Khust. Tumurtei deposit has a reserve of about 230 million tons of ore, and Tumurtolgoi has 25 million tons of ore.

The plant forms 80 percent of the Darkhan-Uul aimag's total budget. In 2007 it produced 79,731 tons of steel and 49,836 tons of steel frames making a profit of MNT 5 billion. The plant was built relying on iron ore deposits from Selenge and Darkhan-Uul aimags, but makes its products by processing scrap iron and is operating at only 60 percent of its full capacity.

Source: Onoodor

ECONOMY

RENOVATED APARTMENTS SAVE COSTS

A project to renovate over 400 pre-cast panel apartment buildings could save 3,800 wagons of coal per year and expenses for heating worth USD 7 million annually, and reduce air pollution. Project officers from the pilot project, 'The first thermal and technical renovation of five-storey pre-cast buildings' under the scope of the 'Integrated Urban Development, Construction Sector and VET Promotion' (UDCP) program told the Minister for Construction and Urban Planning, Ts. Tsolmon on a visit to a project site on January 24, 2007.

The project worth Tgs 250 million in partnership with Ulaanbaatar City Governor's Office and the Ministry of Construction and Urban Planning and implemented by the GTZ, has been showing signs of success. Minister Ts. Tsolmon was pleased with project outcomes and promised to focus on implementing the same project in Ulaanbaatar with government support.

Read more: The Mongol Messenger

BEST BUSINESS PLANS REWARDED

The German Agency for Technological Cooperation (GTZ) project has rewarded individuals from Darkhan-Uul, Zavkhan and Orkhon aimags for their new business plans in a programme, 'Build Regional Economic Development' programme (RED) implemented in 2007 in the three aimags. RED Programme general coordinator, Dr Yohannes awarded prizes to business people for successfully implementing their plans by August 2007. Three first, second and third prizes, one for each region in the RED programme, were awarded valuing Tgs 10 million for start-up and SME plans to expand business. Dr Yohannes launched plans for the second project in 2008 with a press release on January 24.

Source: Montsame National Newsagency

POLITICS

GOVERNMENT- PRIVATE SECTOR UNITE FOR DEVELOPMENT STRATEGY

A Government-private sector meeting targeting Mongolia's private sector development has started the process for a 'Private Sector Development Strategy' to support Mongolia's draft National Development Strategy (NDS) and bring the two sectors together through partnerships. The government will work out the strategy from 2008 until 2015, by February reflecting the proposals and recommendations from the meeting.

Prime Minister S. Bayar told meeting participants it was time to show foreign partners that Mongolia was open and reliable and would work to refine the biggest projects with high quality and implement them with increased transparency and less bureaucracy. His general comments hold promise for renewed ways of working from Government. He said the Government would have to 'change its mindset' and get rid of the way it did business making promises and public declarations without full consideration of issues of its capacity and available financial resources, raising false hopes and expectations for business people.

Representatives from Government and the private sector, including the Business Council of Mongolia, met to discuss the Strategy at the fourth bi-annual, 'External Partners Technical Meeting on Private Sector Development,' in State House from January 28 to 29. The Business Council of Mongolia played a strategic role as the only entity representing a broad group of foreign and domestic investors.

The basic content of the draft Private Sector Development Strategy emphasizes the importance of SMEs (small to medium-sized enterprises); aims to improve tax, customs, professional inspection and associated activities (licenses and logistics); strengthen environmental protection and promote government through private sector partnerships. It also looks to strengthen mining activities; increase labour in small industries and simplify funding for small company registration.

The strategy identified regulation of meat export products and improved food safety control; increased attention to regulation and coordination of the workforce by modelling other countries' experiences; increased attention to Mongolia-specific characteristics such as its sparse population and limited domestic markets and observing external development to achieve the national development strategies. The role of educated citizens in achieving the goals was noted.

Business Council of Mongolia Executive Director, Mr Jim Dwyer presented specific recommendations to be included in the strategy on behalf of BCM members. In summary they suggested:

- Finance social entrepreneurship through training (particularly women); capitalize a Venture Capital Fund; encourage Private Equity Capital.
- Publicize and establish regulatory mechanisms to enforce the Corporate Governance Code promulgated by the Financial Regulatory Commission to foster transparency in businesses.
- Privatize the Mongolian Stock Exchange.
- Implement tax reform by revising Windfall Tax.
- Cap enterprises' payments in the social insurance scheme per individual and exempt foreigners from Social Insurance payments and exclude them from all benefits.
- Substantially revise the proposed amendments to the Foreign Investment Law.

Finance Minister, Ch. Ulaan said the meeting was special as the first technical meeting where Government discussed its private sector development strategy with external partners and representatives from the private sector.

World Bank Director of Development Policy China and Mongolia, Dr. David Dollar applauded the Government for including private sector representatives in the meeting. He said Mongolia was at a critical juncture and the challenge was to attain global competitiveness given its small population and limited domestic market. He emphasized the importance of the country being able to benefit from its vast natural resource base, economically strategic location and educated population. However, he cautioned risks associated with legal, regulatory and fiscal policies formulated during a period of high commodity prices and strong international competition for mineral resources and whether the policies remained realistic and sustainable long term. He advised the country to look at successful mining countries and how they addressed challenges associated with minerals production and economic diversification while at the same time prevented unsustainable fiscal

policies and mounting debt; avoided corruption and overcame absorptive capacity constraints and adverse impacts on non-mineral exports.

Mongolian National Mining Association president, D. Ganbold raised Government policy - the Minerals Law - and its lack of clarity and said to develop the mining sector, equal rights should be provided to investors.

Over 70 businesses from large and small local and foreign companies and business associations participated in the meeting with total numbers of participants over 200. The Government of Mongolia in cooperation with the World Bank and other external partners organized the meeting.

The meeting marked an intensification in Government-external partner cooperation to establish clearer development priorities and better align external support with the government's own planning and budget cycle through regular six-monthly meetings focused on achieving results and a higher accountability for aid.

Sources: <http://newswire.mn/index>, The Mongol Messenger, Odriin Sonin
Check: BCM website for details of BCM recommendations on the Legislative Committee page

WOMEN PROTEST OVER ELECTION QUOTA

The National Network of Mongolian Women's NGOs (MONFEMNET) has broken new ground with the first video-conference with women activists from nine aimags and one remote district.

It convened the video-conference on January 25, to listen to aimag women's views on parliamentary actions to first, repeal the 30 percent minimum quota for women candidates in national elections and then, to take a re-vote on the Presidential veto, as the first vote resulted in accepting the veto on the repeal law.

The women were unanimous on two criteria and stated they resolutely opposed and condemned parliamentary actions to repeal the quota for women candidates and said they believed the action had been dictated by the desire of incumbent male parliamentarians to hold onto their political power at all costs and their failure to liberate themselves from traditional views that held women inferior to men.

Participating sites were Dornod, Dornogovi, Dundgovi, Sukhbaatar, Bayan-Ulgii, Zavkhan, Bayankhongor, Khuvsgul, Khovd aimags, Baganuur district and Ulaanbaatar city. Women represented diverse professions, civil society, political parties and non-partisans.

MONFEMNET has filed a complaint to the Constitutional Court on the grounds that Parliament violated several constitutional provisions and principles in taking a re-vote on the Presidential veto.

On January 10, 2008, Parliament accepted the Presidential veto on the law repealing the women's quota by a 37.7 per cent vote (by law, presidential veto is accepted by one third of the MPs' votes and rejected by two thirds).

Source: The Mongol Messenger

TAX AMNESTY WITH PARLIAMENT

A draft law on a tax amnesty, initiated by Members of Parliament was presented to Parliamentary Speaker, D. Lundeejantsan on January 24. The amnesty exempts tax offenders from criminal or administrative charges and some companies and individuals from tax debts.

The draft law specifies that the tax amnesty will apply to those who committed a tax related crime, specified in the 166th and 167th articles of the Criminal Code and 44th article of Administrative Liability Law before 12pm, January 1, 2008.

Representatives from all parties with seats in parliament initiated the law.

Source: *Udrin Sonin* daily news, Montsame News

PRESIDENT TO RENEW NATIONAL SECURITY

President N. Enkhbayar told political party representatives he would focus on national security and amend the Law of national security at a political parties consultative meeting in State House on January 23. Politicians from the Mongolian People's Revolutionary Party (MPRP), Democratic Party, National New Party, People's Party and Republic Party and Civil Will Party leaders attended the meeting following a Mongolian tradition of observing and discussing future issues.

Food safety and supply, harmful chemical substances, civil registration structure and Parliament and local election issues were discussed at the meeting. Democratic Party General secretary, D. Dorligjav noted the importance of issuing a joint decision for strategically important deposits. Republic Party leader, B. Jargalsaikhan raised air pollution, private sector issues where employers failed to pay employees' salary because of salary increases among other issues.

Source: Montsame National Newsagency

ECONOMIC INDICATORS

MSE WEEKLY REVIEW

For the week ended January 25, 2008, trading activity on the Mongolian Stock Exchange (MSE) totaled 4.5 million shares with stocks of 66 companies traded. Total market value of transactions was MNT 1.5 billion.

The Top 20 index increased by 284.49 points or 2.6 percent compared to the prior week, closing at 11,215.35 points.

Major gainers were: APU, Zoos Bank, Baganuur, UB BUK and Mongol Shiltgeen.

Most active stocks traded shares were: Hai Bi Oil (2.1 million shares); Genco Tours (1.8 million shares); UB BUK (180,000 shares); Moninjbar (199,700 shares); and OIloo (99,599 shares).

Total market capitalization of 358 stock companies listed on the MSE was MNT 784.3 billion, up MNT 13 billion from the prior week.

CURRENCY RATES - January 31 2008

Currency name	Currency	Rate
US dollar	US \$	1171.77
Euro	EUR	1731.06
Japanese yen	JPY	10.98
British pound	GBP	2332.35
Hong Kong dollar	HKD	150.18
Chinese Yuan	CNY	162.92
South Korean won	KRW	1.24
North Korean won	KPW	8.19
Canadian dollar	CAD	1173.06
Australian dollar	AUD	1039.18
Taiwan dollar	TWD	36.38
Indonesian rupiahs	IDR	0.13
Malaysian ringed	MYR	362.05
Singapore dollar	SGD	825.34

INFLATION

December 12 2007	
October	0.6
YTD 2007	13.2

NOTICE:

BHP Billiton, the world's largest mining company, is seeking a Customer Service Administrator for the UB office. Proficiency in English language is required. Competitive salary. Please contact Mr. Peter Leaman, Managing Director, BHP Billiton Mongolia, [Email: peter.w.leaman@bhpbilliton.com](mailto:peter.w.leaman@bhpbilliton.com).