



BUSINESS COUNCIL of MONGOLIA

NewsWire

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www.bcmmongolia.org
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NEWS HIGHLIGHTS:

- Business:** *New chief for Oyu Tolgoi; National Life Insurance comes to Mongolia; SouthGobi Energy Resources funds coal mine development*
- Economy:** *Mongolia's inflation on the rise; Major reform in alcohol supply; India eyes mining sector; Government chases more tourists; US taxes non-diplomatic property*
- Politics:** *Parliament's fall session leaves mining issues pending; President vetoes tax amnesty; New coalition for 2008 elections*

NOTICE TO BCM MEMBERS AND INVITED FRIENDS:

*The next BCM meeting for BCM Members, and friends with meeting invitations, will be **Monday, February 25 at 5 PM at the Open Society Forum**. Speakers include Executive Director, Erdenes-MGL, D. Zorigt whose entity will own the Government's equity in minerals companies; Ambassador of Great Britain to Mongolia, Christopher Osborne; Ambassador of US to Mongolia, Mark C. Minton; and MNMA President, Do. Ganbold.*

BUSINESS

NEW CHIEF FOR OYU TOLGOI

Oyu Tolgoi has a new managing director. Former managing director of the South African Palabora Mining Company, Keith Marshall, was appointed to the Oyu Tolgoi project team of Ivanhoe Mines Mongolia Inc, on February 12 2008. He will be responsible for developing the overall project and take a leading role in ongoing investment agreement negotiations with the Mongolian Government. His experience in copper and in developing countries will be invaluable as the project moves through negotiations with the Government and finalization of community, training and employment programmes.

His career with Rio Tinto has focused on project management and operations, including Greens Creek in Alaska and in South America.

Oyu Tolgoi is owned by Ivanhoe Mines Ltd., in which Rio Tinto holds a 10 per cent interest and is one of four of the largest undeveloped copper projects in the world in which Rio Tinto has an interest. It is scheduled to come into production in 2011 and reach production levels of 440,000 tonnes of copper and 320,000 ounces of gold per year.

Read more: www.riotinto.com/media

NATIONAL LIFE INSURANCE COMES TO MONGOLIA

The Mongolian Financing Regulatory Committee (FRC) has granted the National Life Insurance Company a special license to offer life insurance in Mongolia. The FRC approved a list of forms of voluntary life insurance and pertinent regulations concerning the activities of actuaries. FRC insurance department plans to improve the legal environment of insurance schemes, train actuaries and support companies assessing insurance damage in 2008.

Source: Montsame National Newsagency

SOUTHGOBI ENERGY RESOURCES FUNDS COAL MINE DEVELOPMENT

SouthGobi Energy Resources Ltd CEO Peter Meredith announced February 18 that SouthGobi Energy Resources has entered into an agreement with CEF (Capital Markets) Limited for placement of 711,111 common shares at C\$9.00 per share, representing an aggregate offering amount of C\$6,400,000. CEF (Capital Markets) Limited is 50 percent indirectly owned by Cheung Kong (Holdings) Limited and 50 percent indirectly owned by Canadian Imperial Bank of Commerce (CIBC).

The proceeds from this offering - and the previous C\$111,500,000 raised in January, 2008, will finance initial development of an open-pit coal mine at SouthGobi's Ovoot Tolgoi coal project in southern Mongolia, 45 kilometers north of the border with China and additional drilling and engineering to develop an underground coal mine at Ovoot Tolgoi.

Read more: www.smartmoney.com

ECONOMY

MONGOLIA'S INFLATION ON THE RISE

Possibilities that Mongolia is facing an inflationary phase and overheating - with the country's physical capacity unable to keep pace with demand for goods and services - have arisen.

2007 data released in the World Bank's, 'Mongolia Quarterly February 2008 Report' identified inflation in 2007 at 15.1 percent as the highest in the decade and showed general price rises in increased demand for goods and services and how increased consumption reduced supplies in essential food items.

Although the report holds back its judgment on overheating, it describes data that positions Mongolia in a precarious position as it enters 2008. The report examines the causes of overheating: rising inflation, particularly in non tradables; rising current account deficits; substantial increase in liquidity and increasing bottlenecks in the economy.

The report tracks inflation from January 2007 with inflation at 4.2 percent (yoy) and describes aspects of individual sectors' price increases. The report describes consumption increases and rising fuel and transportation costs

The Mongolian government removed value-added tax from imported wheat and flour on January 1 2008.

Read more: <http://newswire.mn/and www.alertnet.org/thenews>
Full report: BCM website - 'Articles/Reports on Mongolia'. Point 2 (Recent Economic Developments) plus points 20-29

MAJOR REFORM IN ALCOHOL SUPPLY

A tragic food safety incident where 15 citizens died from poisoned alcohol in Baganuur district during New Year has led to major nationwide reforms in alcohol and spirits sale and supply.

The State Inspection Agency (SIA) has tightened its control over the activities of alcohol outlets' production and supply after investigations revealed widespread and sub-standard practices. The SIA has made major structural change to improve its capacity to control new measures by decentralizing and eliminating bureaucracy to ensure citizens a safer and healthier environment.

The organization has reduced two deputy directors, 10 departments, 25 divisions and 333 state inspectors to one chairperson and deputy, six departments, three divisions and 80 state inspectors. Structural changes were made at the City Inspection Office and 150 state inspectors at six departments and 60 inspectors work in all districts of Ulaanbaatar.

Source: Montsame National Newsagency

INDIA EYES MINING SECTOR

India's largest intercontinental consortiums are interested in investing in Mongolia's mining sector and said they would comply with Mongolia's laws and regulations, according to Ambassador of India to Mongolia, Yogeshwar Varma.

The Ambassador met President N. Enkhbayar on February 15 to discuss bilateral issues on the potential for investment in mining and the construction of a Mongolian monastery in Bodhigaya, India.

The President also met an Indian delegation led by member of the Federal Congress of India and Jindal Steel and Power (JSP) executive chairperson, Naveen Jindal on February 19. The Jindal Steel and Power Group is India's fourth largest private company by its trade turnover and manufactures steel and power generation. Mr Jindal said India had ample iron but no coking coal. He said JSP was interested in cooperating with the Mongolian Government. The President advised Mr Jindal to meet the Trade and Industry Minister over the issues.

Sources: The Mongol Messenger, Ardiin Erkh

GOVERNMENT CHASES MORE TOURISTS

Mongolia has set a goal to increase foreign tourist numbers to 440,000 in 2008. Ministry of Road, Transport and Tourism deputy head, E. Battulga, announced the goal and said, "According to a statistics report, about 386,000 tourists visited Mongolia as of October 2007, 56,000 or 14.6 percent more compared with the same period in 2006. Our Ministry will pursue the goal by extending external relations and advertisement in all possible ways."

In another related plan the Government sees the full August 2008 Solar eclipse in Bayan-Olgii and Khovd aimags as a major drawcard for Mongolia and is investigating leasing extra planes for anticipated increased passenger numbers. Several Ministries are working with tour companies to standardize regulations. The last solar eclipse in Mongolia was near Darkhan-Uul aimag in 1997.

Read more: [Montsame National Newsagency](#)

US TAXES NON-DIPLOMATIC PROPERTY

The Government of Mongolia has to pay US \$4.2 million to the City of New York in a long-running legal dispute over real estate taxes for a Manhattan building owned by the government for its mission to the United Nations.

US federal judges ruled last week that diplomatic privileges don't exempt Mongolia, nor India and the Philippines, from having to pay local taxes on the buildings that house their embassy staff. Under international treaties, consulates and embassies are generally tax exempt. Their status as sovereign territory often puts them outside the reach of US law. The US Embassy in Ulaanbaatar and its apartment house that houses embassy staff are tax exempt from Mongolia's law. But in New York City's case, the city argued that it had a right to collect taxes on portions of the structures used for non-diplomatic purposes.

Mongolia's six-story building in New York has two floors that serve as staff residences.

Read more: www.newswire.mn/

POLITICS

PARLIMENTS FALL SESSION LEAVES MINING ISSUES PENDING

The Parliament fall session recessed after 92 days on February 7 before New Year Tsagaan Sar celebrations. Legislators discussed and approved 72 laws, 53 bills and resolutions.

However the much awaited draft investment agreements and the Law on Mineral Resources and draft laws on strategic deposits are in the hands of a working committee yet to complete its work. Parliamentary Speaker D. Lundeejantsan said the committee was working hard and if the drafts were submitted this month, Parliament might be recalled in March for an extraordinary meeting.

Parliament is expected to meet April 5 in the spring session to deliberate on about 20 bills, and more than 10 laws and projects such as the 2009 budget statement, approve the 2007 budget fulfillment, adjust the 2008 budget and the statement on the country's social and economic situation before the election and announce the regular parliamentary election.

Source: [The Mongol Messenger](#)

PRESIDENT VETOES TAX AMNESTY

President N. Enkhbayar has vetoed the Tax Amnesty Law adopted by Parliament February 6, 2008 to encourage individuals and organizations that had not lodged their tax in time to do so without penalty. The law's intent has been misunderstood and taken as freeing all tax infringements. The Law invalidates all tax debts, interest and fines imposed by civil and administrative laws and related authorities to citizens who infringed article #44 of the Administrative Law and who committed crimes stipulated at the #166 and 167 of the Criminal Code before midnight of December 31, 2007.

Taxpayers must still fulfill their duty under all conditions according to the law and regulations. The President said more study and revision was needed to make sure the Tax Law did not disadvantage those who had complied with it.

Source: [Montsame National Newsagency](#)

NEW COALITION FOR 2008 ELECTIONS

Two of Mongolia's political parties have formed a coalition just six months out from the 2008 Parliamentary elections. The Mongolian Green Party (MGP) and the Civil Movement Party (CMP) signed a memorandum of understanding February 4 to form the 'Civil Coalition.'

MGP chairperson, D. Enkhbat said, "We have been fighting on our own for ideals that should lead Mongolian society. Our dream is for Mongolia to have a Government with principles. We found the CMP supports these ideals and so we agreed to join a coalition to pursue these principles more forcefully." Mr Enkhbat promised the coalition would manage its financial aspects in the election campaign very different to those of other political forces.

At least 33 percent of the Coalition's parliamentary candidates will be women and it is keeping its doors open for other political parties. Civil Will Party (CWP) chairperson, S. Oyun, said she would join the new coalition if they accepted her party's program, which seems unlikely. The CWP made it clear it would not join any coalition that included the Motherland Party or the Republican Party.

Source: Onoodor daily newspaper

ECONOMIC INDICATORS

MSE WEEKLY REVIEW

According to the Mongolian Stock Exchange (MSE) report in January of 2008, a total 11.4 million shares were traded and the total market value of transactions reached MNT 3.5 billion. Compared with December of 2007, the volume of shares traded decreased by 43.1 percent and the total market value of transactions increased by 78.4 percent.

During January 2008, the Top 20 index increased by 759.9 points compared with December of 2007, reaching 10,773.9 points.

Total market capitalization of listed companies increased by 9.9 percent compared with December 2007, reaching MNT 788.3 billion in January of 2008.

CURRENCY RATES - February 21, 2008

Currency name	Currency	Rate
US dollar	US	1171.54
Euro	EUR	1723.86
Japanese yen	JPY	10.89
British pound	GBP	2282.92
Hong Kong dollar	HKD	150.15
Chinese Yuan	CNY	163.82
South Korean won	KRW	1.24
North Korean won	KPW	8.19
Canadian dollar	CAD	1155.48
Australian dollar	AUD	1074.54
Taiwan dollar	TWD	37.05
Indonesian rupiahs	IDR	0.13
Malaysian ringed	MYR	363.21
Singapore dollar	SGD	828.82

INFLATION

Year 2007	15.1%	[source: World Bank]
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