



BUSINESS COUNCIL of MONGOLIA

NewsWire

Email: Jim@bcmmongolia.org

www.bcmmongolia.org
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NEWS HIGHLIGHTS:

- Business:** *Public say 'start Oyu Tolgoi now'; South Korean company to build internet data center; Russian bank opens doors in Ulaanbaatar; Private carrier flies high on goals; Centerra announces new chief*
- Economy:** *Parliament reduces social insurance tax; Russian tycoons eye investment in Mongolia; MSE and HKEX strengthen ties; Khuvsgul to get new power station*
- Politics:** *Bayar's cabinet finalized; Government endorsement for election process change*

BUSINESS

PUBLIC SAY 'START OYU TOLGOI NOW'

A socio-economic survey covering five aimags and Ulaanbaatar, showed strong public support that Mongolia's Parliament should approve the Oyu Tolgoi Draft Investment Agreement immediately.

Independent, Mongolian professional polling agency, Sant Maral, conducted the survey on behalf of Ivanhoe Mines. The survey showed 79.5 percent respondents said 'yes' to the question, "Based on your awareness of the Oyu Tolgoi draft investment agreement, should the Mongolian parliament approve the draft investment agreement for Oyu Tolgoi without further delay?"

A cumulative 96 percent said the creation of new jobs through investment in mining was 'very important.'

Ivanhoe Mines has promised to create 10,000 jobs directly and indirectly after commissioning the project, within three years.

Source: The Daily News, The Mongol Messenger

SOUTH KOREAN COMPANY TO BUILD INTERNET DATA CENTER

KT, South Korea's leading fixed-line telephone and broadband Internet service provider, said it plans to help establish an Internet data center in Mongolia, December 9.

KT said it has won an order to build an Internet data center for the Mongolian government and to establish information and technology (IT) systems as well as networks. The project, scheduled to be completed in February 2009, also calls for KT to provide IT education and dispatch experts to Mongolia.

A KT official said, "The project will help the two countries improve technology cooperation and accelerate South Korean companies' foray into the Central Asian country."

The move comes as the Mongolian government attempts to build and develop its e-government project by creating related operating systems through an Internet data center.

Read more: www.koreatimes.co.kr

RUSSIAN BANK OPENS DOORS IN ULAANBAATAR

Russia's Gazprombank Bank Board members have decided the Bank should establish a representative office in Ulaanbaatar because of the expansion of Russian companies in Mongolia.

Gazprombank reported it was preparing many investment projects in infrastructure and the financial sector of Mongolia following Mongolian authority's expressions of interest for the Bank's investment during their officials visit to Mongolia.

Bank officials agreed that to implement large-scale investment projects would require a bank-base in Mongolia.

Gazprombank also allocated US \$7 million funds to Ulaanbaatar Railway for buying new and high quality passenger wagons to service passengers in the lead up to the 2008 Beijing Olympics. This was the third credit issued to Ulaanbaatar Railway from the Bank.

Source: Montsame National Newsagency and Onoodor

PRIVATE CARRIER FLIES HIGH ON GOALS

Mongolia's civil aviation industry received a boost with the addition of private carrier Eznis Airways at a time when other private operators struggled.

The Company has just completed its first year with a goal to grow and succeed and is working hard to build its safety and reliability credentials.

The Company's MNT 18.6 billion investment is close to breaking-even and operations statistics have exceeded expectations.

Government support for private investment in civil aviation industry has allowed the Company to take the first steps to setting standards in the civil aviation market and in the next two to three years, target charter business from tourism and mining as a significant part of their total revenue.

Eznis Airways vice president, B. Enkhbat said, "Eznis' launch of commercial flights just turned one year old last week. In the very beginning we planned to serve approximately 30 percent of the domestic air market, by the end of our first year, we found ourselves carrying over 70 percent."

Read more: www.bcmmongolia.org, Business Profiles

CENTERRA ANNOUNCES NEW CHIEF

In a press release December 10, Centerra Gold Incorporated (TSX - CG) announced the appointment of Stephen A. Lang as Vice President and Chief Operating Officer of Centerra Gold Inc. He replaces well-known former COO, Paul Korpi who was COO Centerra (Mongolia) for three years, prior to his move to Toronto earlier in the year.

Source: Centerra Gold News release, www.centerragold.com.

ECONOMY

PARLIAMENT REDUCES SOCIAL INSURANCE TAX

The Mongolian Parliament has reduced employers' social insurance fees following extensive debate on a revised bill on social insurance, on December 7.

The 2008 State budget specifies employer's social insurance taxes would fall from 19 percent to 10 percent, an improvement from the Government's initial suggestion of 14 percent. Employees' contributions remain the same.

Parliament predicted reducing employers' fees would eliminate concealed salaries, an element in the shadow economy, and would increase the social insurance tax base. They said the amount paid by employers to the Social Insurance Fund would not decrease.

Source: E-News No 94, December 10, 2007

RUSSIAN TYCOONS EYE INVESTMENT IN MONGOLIA

A 200-strong Russian-Mongolian business forum including Russian tycoons and leading mining company representatives, has promised much for Mongolia's development.

The forum, 'Mongolian-Russian economic cooperation and its perspectives,' held at the Chinggis Khan Hotel December 7 to 8, concluded with Russia committed to supply 30,000 tones of wheat for a lower price; Polimetal and Gazprombank companies formalizing their interest in investing in the mining sector; and Russian Railway Administration director, I. V. Romashev stating Russia was ready to invest substantially in the railway sector in recognition of the importance of the Mongolian Railway, as a bridge between Russian and Chinese trade.

Areas targetted for strengthening bilateral relations included the economy and trade, development of border cooperation, geology, mining and infrastructure and fuel and energy.

Russian presidential envoy for trade and economic cooperation with Mongolia and delegation head, Alexei Gordeyev said Russia was also interested in helping Mongolia develop its agriculture sector further, in particular in cattle breeding.

In 1923 a trade agreement was signed between Mongolia and the former Soviet Union and Russia remains one of Mongolia's largest trade and economic partners.

Read more: www.mongolia-web.com

MSE AND HKEX STRENGTHEN TIES

The Mongolian Stock Exchange CEO, Mr Rentsen Sodkhuu and Hong Kong Exchanges and Clearing Limited, CEO, Mr Paul Chow signed a Memorandum of Understanding (MOU) on further cooperation in the Hong Kong Exchange's Auditorium on December 5, 2007.

The MOU paves the way for future cooperation and facilitates exchange of information for both parties. They agreed to work closer and cooperate in developing Mongolian capital markets and to co-organize seminars and conferences for educational and commercial purposes.

Read more: www.mse.mn/en; *Zuunii Medee newspaper*

KHUVSGUL TO GET NEW POWER STATION

Khuvsgul Aimag will have a new hydro-electric power station in 2010.

The ceremony to lay the foundations for the power station to be built on the Chargait River, was held last week.

The power station will provide Khuvsgul Aimag with energy and supply redundant energy to the central energy system.

The European Reconstruction and Development Bank rendered aid of 65 million Euros for the station. The Government of Mongolia has committed MNT 450 million for designing technical and economic aspects of the project.

Source: Montsame National Newsagency

POLITICS

BAYAR'S CABINET FINALIZED

Parliament has approved the three names submitted to complete the 15-strong cabinet of new Prime Minister S. Bayar late afternoon, December 13.

The final three positions have been filled by Member of Parliament, R. Rash as Minister of Road, Transport and Tourism; State Secretary of the Finance Ministry, Ch. Khurelbaatar as Minister of Fuel and Energy; and Deputy Minister of Road, Transport and Tourism, G. Shiilegdamba as Minister of Nature and Environment.

The new Cabinet can now get down to business after two weeks of internal turmoil between the political parties jostling for ministerial positions.

Other Ministers started working in their new portfolios in the week beginning December 10.

Source: Government press release

GOVERNMENT ENDORSEMENT FOR ELECTION PROCESS CHANGE

The government of Mongolia has in principle, supported the bill on amending the law on parliamentary election of Mongolia at its cabinet meeting in week one, December.

The bill to use a proportional representation system provides election equality to improve the parliamentary system; eliminates unfairness including distribution of money, false lists of voters and transferring voters from one electoral district to another; improves political parties' responsibilities; and provides voters with a fair and just election system.

According to the bill: Mongolia will be one electoral district; political parties and the coalition will make lists of their candidates with not more than 76 and voters will circle party or coalition or independent candidates on the voting form. Five percent quota will be set from the total valid votes, and seats will be allocated to each party, which manages to get more than five percent votes as the threshold in proportion to the number of votes the party receives.

Candidates on a party's list will be elected as Members of Parliament according to order in the list and number of votes that their party wins.

Observers noted that major parties would benefit from this and smaller parties would be excluded if they did not win the threshold 5 percent of votes.

Read more: The Mongol Messenger, UB Post

ECONOMIC INDICATORS

CURRENCY RATES - December 13 2007

Currency name	Currency	Rate
US dollar	US \$	1169.37
Euro	EUR	1720.14
Japanese yen	JPY	10.51
British pound	GBP	2388.20
Hong Kong dollar	HKD	149.97
Chinese Yuan	CNY	158.65
South Korean won	KRW	1.26
North Korean won	KPW	8.17
Canadian dollar	CAD	1160.55
Australian dollar	AUD	1030.62
Taiwan dollar	TWD	36.13
Indonesian rupiahs	IDR	0.13
Malaysian ringed	MYR	352.80

INFLATION

December 13 2007	
October	0.6
YTD	13.2
12 months	14.4