

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.

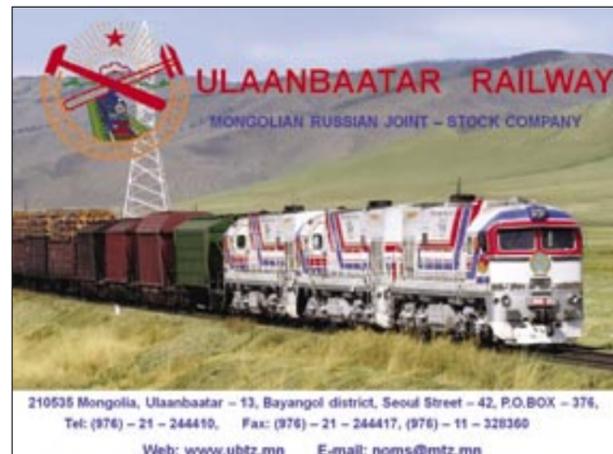
Enkhchimeg D., CEO of Petrovis, said: "We have started exploring more and more oil reserves in Mongolia as we saw that there is an extreme need of refineries. This will be one of our main priorities."

"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.

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."

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

Here to make your journey complete
Ensuring total quality management throughout the petroleum product supply chain.

PETROVIS LLC
Petrovis office building, Prime Minister Amar's St. 7, Sukhbaatar district, Ulaanbaatar 210645, Mongolia
Tel: +976 11 324 301 / 314 012 | Fax: +976 11 323 800
shinezaya@petrovis.net | tergel@petrovis.net | www.petrovis.mn

CLOSER TO CHINA THAN EVER BEFORE
Celebrating 20 years of successful operations, Mongolia's premier coke producer is closer to China than ever before.

Mandal-Altai Group
MNM Plaza, Room 407, Bayanzurkh District Eth khono, 39 Street, Ulaanbaatar, Mongolia
Tel: +976 99 114814 | Fax: +976 11 455630 | mandal@mandal-altai.mn
www.mandal-altai.mn

Mongolia's wind powering China
Innovating for success
Newcom Group

Tel: +976 11 313 183 | wind@newcom.mn | www.newcom.mn