МОНГОЛ УЛСЫН
ЗАСГИЙН ГАЗАР

АЛТАНБУЛАГ
ЧӨЛӨӨТ БҮС

“ALTANBULAG” FREE ZONE

2021

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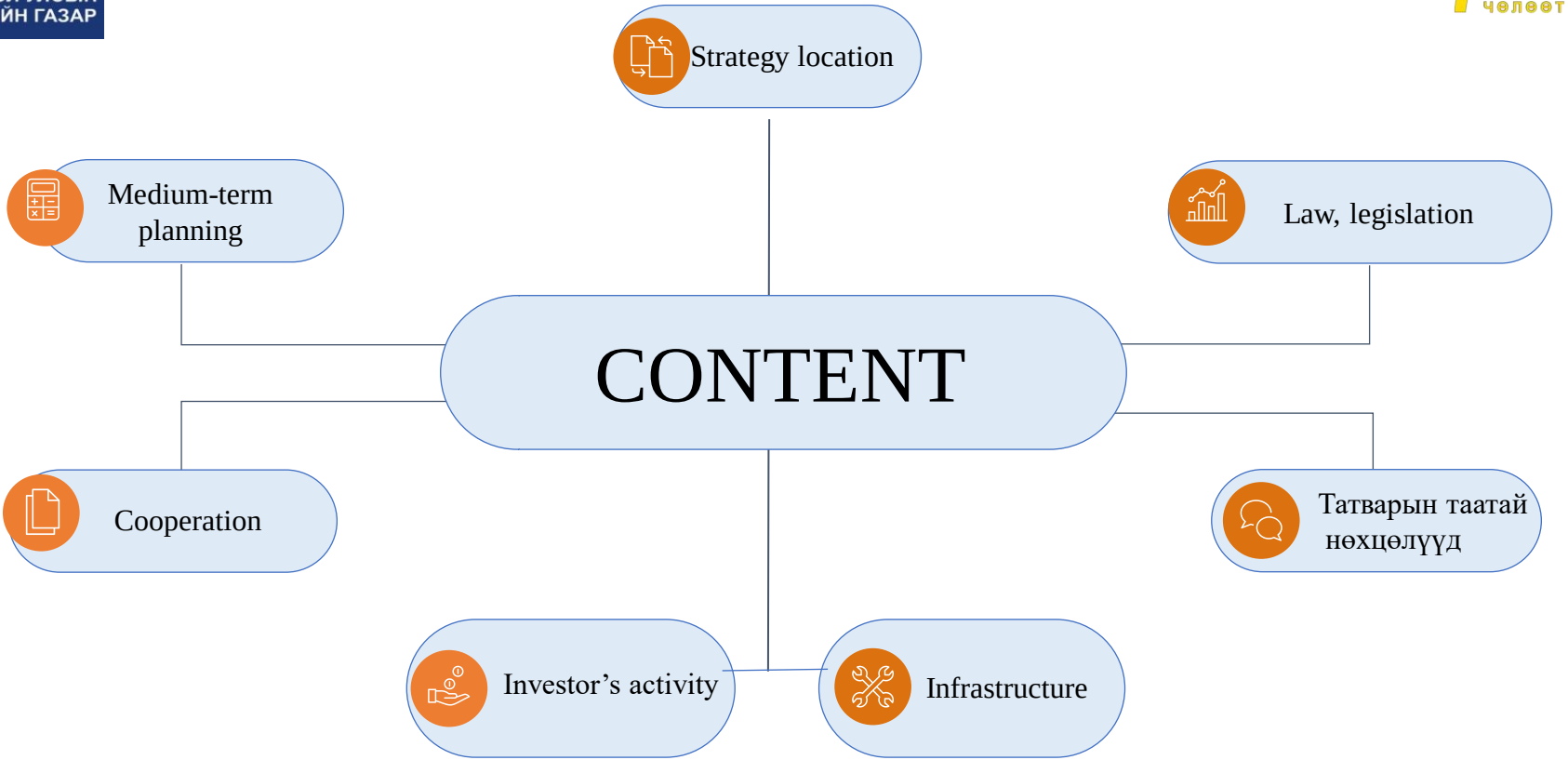
АЛТАНБУЛАГ ЧӨЛӨӨТ БҮС



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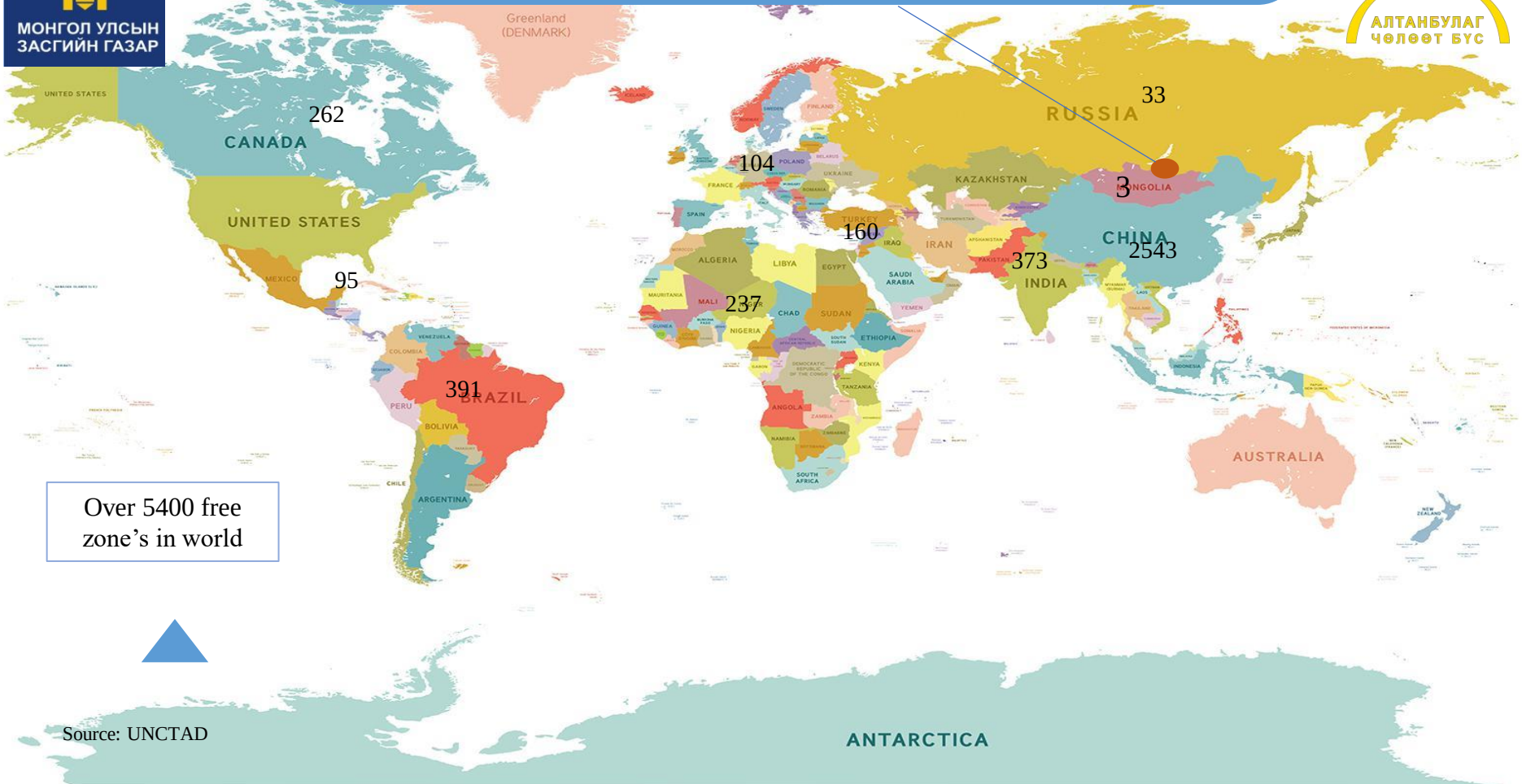
THE FIRST FREE ZONE IN MONGOLIA ALTANBULAG

АЛТАНБУЛАГ Чөлөөт бүс



Over 5400 free zone’s in world

Source: UNCTAD

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STRATEGY LOCATION

АЛТАНБУЛАГ Чөлөөт бүс

THE SHORTEST ROAD BETWEEN ASIA AND EUROPE



From Ulaanbaatar to “Altanbulag” free zone-335 km-AH3
From Ulaanbaatar to Zamiin-Uud free zone -650 km-AH3

From “Altanbualg free zone to Khyagt /Russia/-1 km
From Zamiin-Uud free zone to Erlian city /China/-840 m

From “Altanbulag” free zone to Ulan-Ude city /Russia/-235 km
From Zamiin-Uud free zone to Beijing /China/-675 km

Altanbulag Free Zone and Zamyn-Uud Free Zone - connected to the AH-3 vertical road network connecting Russia and China

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STRATEGY LOCATION

АЛТАНБУЛАГ Чөлөөт бүс

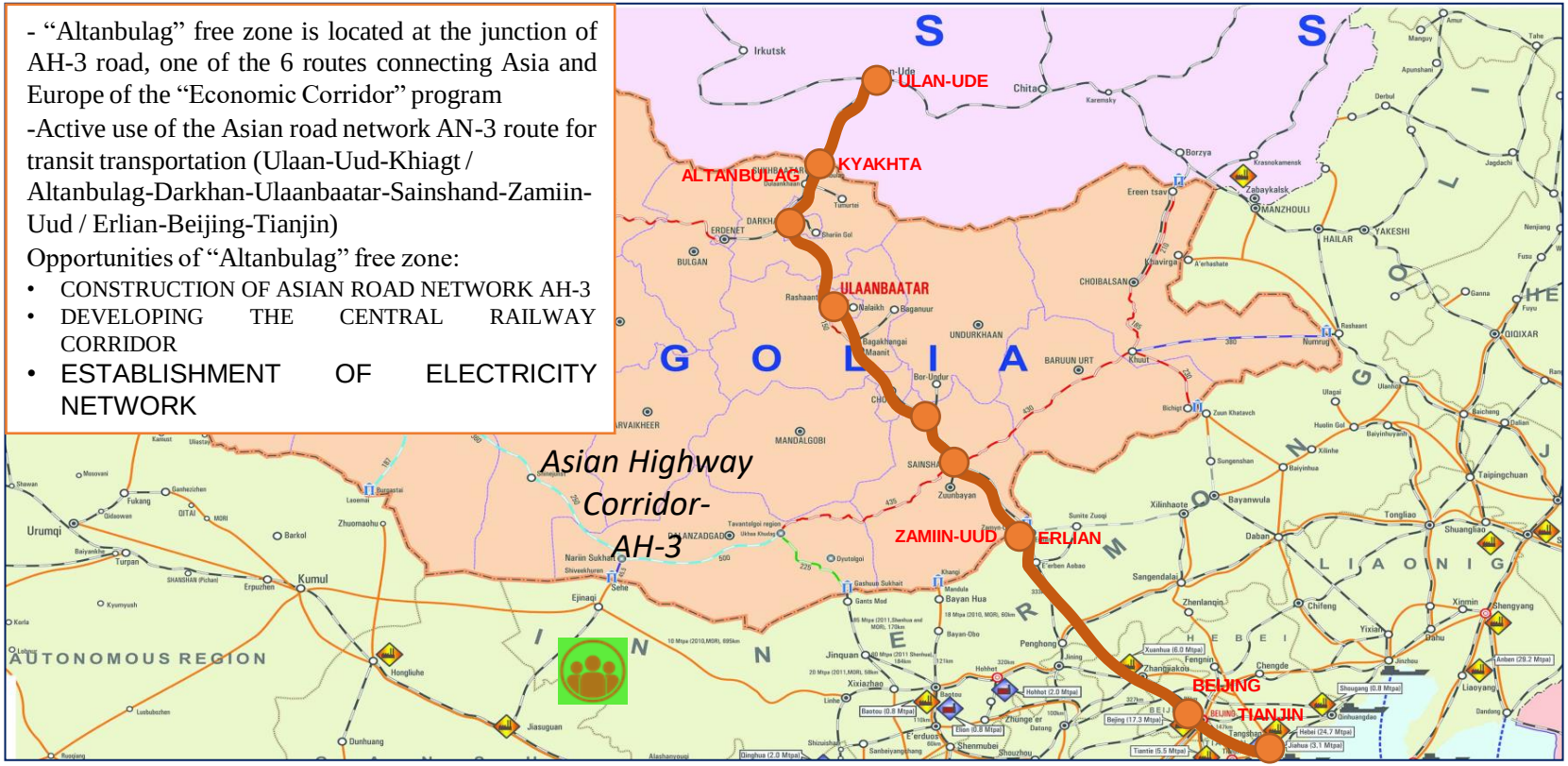
ECONOMIC CORIDOR /AH-3 corridor connecting Mongolia with neighboring countries/

- “Altanbulag” free zone is located at the junction of AH-3 road, one of the 6 routes connecting Asia and Europe of the “Economic Corridor” program

-Active use of the Asian road network AN-3 route for transit transportation (Ulaan-Uud-Khiagt / Altanbulag-Darkhan-Ulaanbaatar-Sainshand-Zamiin-Uud / Erlian-Beijing-Tianjin)

Opportunities of “Altanbulag” free zone:

- CONSTRUCTION OF ASIAN ROAD NETWORK AH-3
- DEVELOPING THE CENTRAL RAILWAY CORRIDOR
- ESTABLISHMENT OF ELECTRICITY NETWORK



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HISTORICAL WAY

АЛТАНБУЛАГ Чөлөөт бүс

FAMOUS TEA ROAD





- Maimaachin - The main commodity traded at the port of Khiag was tea, so the road through the port was called the Tea Road. The "Tea Road" is Wuhan-Beijing, Beijing-Gate, Gate City-Great Khuree, Great Khuree-Maimaachin-Troitskosavsk / Khiagt /, Troitskosavsk-Verkhneudinsk / Ulan-Ude /, Verkhneudinsk-Krasnoyarsk, Krasnoyarsk-Moscow It was about 9,000 km from Beijing to Moscow.
- The first Russian firm was established in the Great Khuree in 1860 due to the sharp increase in trade along the Tea Road. In 1893, British traders came to Mongolia with about five billion lan to buy sheep, camel wool and hides.
- With the invasion of Mongolia by the Tea Road, tea became a currency.
- Of the 14,994 km of the 1907 Beijing-Paris Rally, 9,000 km was the Tea Road.

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LAW, LEGISLATION

АЛТАНБУЛАГ Чөлөөт бүс

LAW LEGISLATION

МОНГОЛ УЛСЫН ХУУЛЬ

1. Law of free zone /2002/
2. Law on the Legal Status of Altanbulag Free Trade Zone / 2002 /
3. About free zones / Revised version 2015 /

RESOLUTION OF THE PARLIAMENT

- "Concept of establishing a free economic zone in Mongolia" resolution No. 87 has been approved in 1995
- The boundaries of the "Altanbulag" Free Zone has been established by Resolution No. 66 in 1996
- The establishment of the "Altanbulag" free zone in 500 hectares of land in Altanbulag soum of Selenge aimag has been approved by Resolution No. 38 in 2002

ЗАСГИЙН ГАЗРЫН ТОГТООЛ

- Resolution No. 153 of 2014 "Procedure for temporary admission of passengers, goods and transportation to the region"
- Resolution No. 126 of 2015 "On re-approval of the structure and staffing"
- Resolution No. 182 of 2018 "On land valuation"
- Resolution No. 104 of 2020 "On write-off, issuance and registration of fixed assets"
- Resolution No. 105 of 2020 on "Approval of the list of goods worth up to 3.0 million MNT purchased by passengers exempt from customs and value-added tax upon entry into the customs territory from the free zone".
- Resolution No. 110 of the Government of Mongolia of 2020 "On the introduction of an integrated electronic land management system"

Other rules and regulations

Order No. A / 282 of 2019 of the Director General of Customs "Regulation on the implementation of the free zone regime"

Amendment to Order A / 102 of 2020 of the Director General of Customs "Regulation on the implementation of the free zone regime"

The General Authority for State Registration, "Altanbulag" free zone, "Zamyn-Uud" free zone and "Tsagaannuur" free zones jointly signed the 2015 "Special procedure for state registration of legal entities and property rights to operate in the free zone"

DOCUMENT OF POLICY OF MONGOLIA

ACTION PLAN OF THE GOVERNMENT OF MONGOLIA FOR 2020-2024

3.1.17. The infrastructure development of free zones will be carried out in step by step, also create conditions for the development of export-oriented trade, services and light industry, and support foreign and domestic investors

FIVE-YEAR MAIN DIRECTIONS FOR THE DEVELOPMENT OF MONGOLIA IN 2021-2025

8.1.5. Renovate the facilities and equipment of free zones and border crossings, bring them in line with international standards and increase access.

- In the investment program: Construction of 14.6 km paved road within "Altanbulag" free zone

Goal 4.4. Initiate a preliminary study on the development of economic corridors with neighboring countries and the conclusion of a free trade agreement with the Eurasian Economic Union and the Republic of Korea:

4.4.2. expand trade and economic relations with third neighboring countries.

VISION 2050

MONGOLIAN LONG-TERM DEVELOPMENT POLICY

By creating a free zone to accelerate the international trade turnover, integration and development in the world economic system, we will increase employment by introducing high-tech production and new services, and support the settlement of people in satellite towns and villages.



CONDITIONAL STATUS IN LONG-TERM AND MEDIUM-TERM POLICIES IN MONGOLIA

№	Policy document	Conditional status
1	CONCEPT OF ESTABLISHING A FREE ECONOMIC ZONE IN MONGOLIA /Annex to the Resolution No. 87 of the Parliament of Mongolia of 1995/	The following criteria shall be followed in selecting the territory for establishing a free economic zone: 1 / Strictly comply with the national security requirements of Mongolia; 2 / be suitable for conducting foreign trade activities in terms of transport and geographical location; 3) to have more opportunities to enter foreign markets by engaging in production and services in relevant fields; 4) to facilitate the creation of new industrial or social infrastructure; 5) to create conditions attractive to foreign and domestic investors.
2	CONCEPT OF FOREIGN POLICY OF MONGOLIA /Appendix to the Resolution of the Parliament of Mongolia No. 10 of 2011/	20. Implement projects and measures that will have a significant impact on economic development, such as the establishment of economic and trade free zones, large joint ventures or foreign-invested enterprises, concessions, and the creation of new infrastructure, in line with national security goals.
3	CONCEPT OF REGIONAL DEVELOPMENT OF MONGOLIA /Annex to the Resolution No. 57 of the Parliament of Mongolia of 2001/	3.12.5. The possibility of connecting the territory of Mongolia with the regions of international cooperation through the capital city, regional centers and free zones based on foreign aid and support, and the need to ensure the internal balance of the territory by connecting the regions at low cost. Priority will be given to improving roads across roads and along major railways
4	Action Plan of the Government of Mongolia for 2020-2024 /Resolution No. 24 of the State Great Hural of Mongolia for 2020/	3.1.17. We will carry out the construction of infrastructure in the free zones in stages, create conditions for the development of trade, services and light industry for export and domestic markets, and support foreign and domestic investors.
5	“TALYN ZAM” NATIONAL PROGRAM /Annex to the Government Resolution No. 142 of 2017/	Goal 4. Implement urban development policy in free zones and border crossings, develop border areas and establish new cities and settlements.
6	STATE INDUSTRIAL POLICY /Annex to the Resolution No. 62 of the Parliament of Mongolia of 2015/	4.2.3 Objectives to define industrial priorities and comprehensively plan and implement industrial clusters, free zones, industrial and technology parks, and transport and logistics networks
7	GOVERNMENT POLICY ON FOOD AND AGRICULTURE /Annex to the Resolution No. 104 of the State Great Hural of Mongolia in 2015/	6.2.5. Establish an agricultural free zone to attract foreign and domestic investment and support export-oriented production in remote areas.
8	GOVERNMENT POLICY ON THE CONSTRUCTION SECTOR / Annex to Government Resolution No. 70 of 2019 /	Establish an import supply center in the free zone
9	THREE PILLARS DEVELOPMENT POLICY /Annex to Government Resolution No. 42 of 2018/	3.3.3.12. to implement “Altanbulag” establish the urban development project;

TAX CONDITION

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01

Article 10
Special customs regime of the free zone

•Simplified customs clearance for goods entering the free zone from abroad, export to the border, and import of goods worth up to 3.0 million purchased by passengers into the customs territory.

No non-tariff restrictions shall be imposed on goods entering or exit the Free Zone

Goods entering the free zone will be subject to risk-based customs control

02

Article 15
Special employment regime

•A free zone shall be fully exempted from payment for a job if an enterprise, organization or individual provides a foreign citizen with a job and provides income-generating work or service.

•If a legal entity operating in a free zone implements projects or programs to empower and specialize its employees, expenses shall be deducted from the taxable income of the current year.

•.

03

Article 16
Impose a special tax on free zones

- Goods imported into the free zone are not subject to import customs duties, VAT and excise taxes.
- No tax shall be levied on the export of goods from a free zone
- No VAT shall be levied on the entry of Mongolian goods into the free zone from the customs territory
- Buildings registered in the zone are fully exempt from real estate tax

04

Article 23
Land fee discounts and exemptions

100% discount for the first 5 years and 50% discount for the next 3 years for businesses engaged in trade, tourism and hotel services

Enterprises engaged in infrastructure and production will be 100% exempt for the first 10 years.

Land fees may be reduced for a certain period of time, taking into account the fulfillment of obligations on the use, possession and protection of land benefits, and the Government shall decide on the timing and percentage of the reduction

05

Revised version of the income tax law /article 22/

Reduced income tax equal to 50% of the income from investments over $ 500,000 in infrastructure for the free zone.

22.5.8. Income tax equal to 50% of the income from investments over $ 300,000 for production and services in the free zone shall be reduced.

LAND RELATIONS

The land rights for possession and/or use shall be granted as a result of project selection or audition (22.4 the law of free zone).

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LAND EVALUATION

(Government Resolution and Order of the Minister of Construction and Urban Development Order No. 208 of 2018)

Name of free zone	BASIC EVALUATION OF 1 HECTARE OF LAND (FOR LAND USE)	
Altanbulag	Trade, all kind of service (Tugrug)	All kind of manufacture except agriculture (Tugrug)
	120.000.000	80.000.000

FIRST PRICE OF AUCTION:

•Trade and service 1 hector-24 million tugrug

• Production field1 hector-6,4 million tugrug

LAND FEE

•Trade and service 1 hector-1,2 million tugrug

•Production field 1 hector- 0,8 million tugrug

LAND DISCOUNTS AND RELEASES

FOR BUSINESS ENTITIES IN TRADE, TOURISM AND SERVICES

- 100% DISCOUNT IN FIRST FIVE YEARS (23.1)
- 50% NEXT THREE YEARS (23.1)

INFRASTRUCTURE AND INDUSTRIAL ENTERPRISES ITS BRANCH

- 100% FREE FOR THE FIRST 10 YEARS FROM THE DAY OF STARTING ACTIVITIES (23.2)

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MANUFACTURED PRODUCT, TRADE DISCOUNTED GOODS EXPORT

АЛТАНБУЛАГ Чөлөөт БҮС

The Government of Mongolia has entered into double taxation exemption agreements with 26 countries and investment promotion and mutual protection agreements with 43 countries.

OPPORTUNITY TO ENTER THE EUROPEAN UNION AND, JAPANESE MARKET AND ASIAN PACIFIC COUNTRIES

EU GENERAL DISCOUNT SYSTEM (EU GSP+)

99 CATEGORY 7200 TYPES

446.7 million costumers

ИМПОРТЫН ГААЛИЙН ТАРИФААС ЧӨЛӨӨЛНӨ

JAPAN EPA

► **97 CATEGORY 9300 TYPES**

126.5 million costumers

IMPORTED IMPORTANT TARIFFS IMMEDIATELY AND IN STAGE FOR 10 YEARS

MADE IN MONGOLIA

APTA- ASIA PACIFIC AGREEMENT/Mongolia, China, Монгол Улс, Хятад, Bangladesh, India, Энэтхэг, Laos, Korea and Sri Lanka
366 CATEGORY 10,667
5-100% TAX DISCOUNT ON ITEMS

2.9 billion costumers

MADE IN MONGOLIA:

PRODUCT MADE IN FREE ZONE

"Goods produced in a free zone" means goods produced in the territory of a free zone for more than 40 percent of the value added spent on the production of goods.

FREE ZONE TIMELINE

2003-2016

Executed works 26.5 billion MNT investment by the state budget:

- Temporary power supply line
- Intra- and external water and sewage pipelines
- Operation of the out-of-area sewage booster pump station
- Flood protection dam works
- Improved dirt road work
- Construction of customs trade roads and squares
- "Altanbulag" Free Trade Zone Master Plan, General Plan.
- In 2014, the Altanbulag Free Zone was officially opened and switched to a permanent mode of operation.
- With the organization of "Expo-2016", our activities have intensified.

2017-2021

- Streets and roads of Altanbulag Free Zone have been addressed.
- Design work for regional and intra-soum power supply expansion / Selenge, Altanbulag /
- Altanbulag Free Zone was re-registered in the State Registry and the organization's logo was approved.
- Published a book about "Altanbulag" free zone.
- A Mongolian-Russian business meeting was held in the Altanbulag Free Zone.
- A delegation led by Li Ji-hyun, Chairman of the Standing Committee of the National People's Congress, aid an official visit to the Altanbulag Free Zone.
- The Beijing-Paris International Auto Rally passed through the Altanbulag Free Zone
- A tripartite memorandum of understanding was signed with the Sino-Russian border trade zone in Manchuria, China
- "Memorandum of Understanding between Mongolia and the Republic of Turkey on Cooperation in the Free Zone Sector
- List of goods worth up to MNT 3.0 million purchased by passengers in the free zone "was approved by Government Resolution No. 105.
- In accordance with Government Resolution 105, the "Regulation on the Implementation of Free Zone Procedures" of the General Customs Administration was amended.
- Amendments were made to the "Procedure for Implementing the Free Zone Procedure"
- According to the government resolution, the strategic plan of "Altanbulag" free zone for 2021-2024 has been revised.
- Introduced "Land Manager" land management program..

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INFRASTUCTURE OF FREE ZONE

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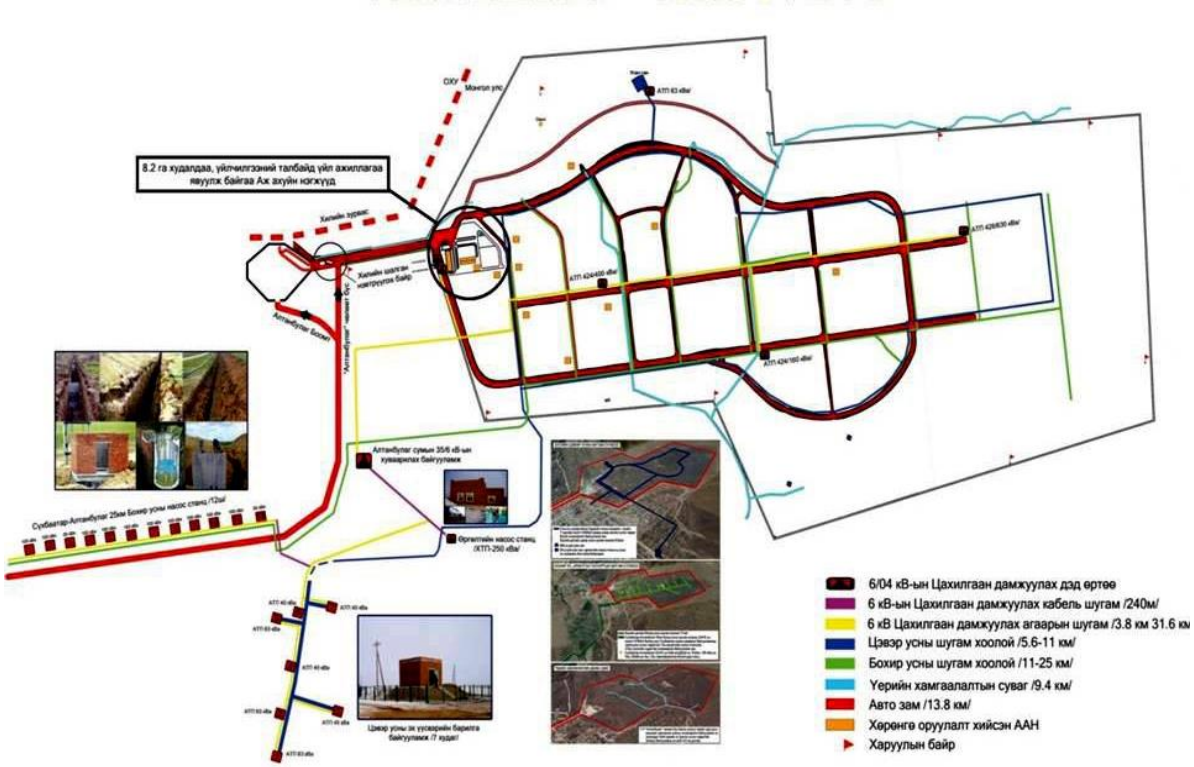

Infrastructure constructions made in 2003-2012. /26.5 billion MNT /

1. <u>Temporary power supply line:</u>
- 6/04 kV Power transmission substation / 4 pieces /,
- 6 kV Power transmission cable-240 m
- 6 kV overhead transmission line: inside: 3.8 km, outside - 31.6 km

2. <u>Water and sewage pipelines outside and inside the zone</u>:
- 5.6 km inside the fresh water pipeline and 11 km outside
- Reservoir - 800 m3
- Sewage pipelines are 11 km inside and 25 km outside
- Expansion pump station-12 pcs

3. <u>Flood protection canal work:</u>
- Flood protection canal-9.4 km

4. <u>Improved unpaved road works:</u>

2.8 km within the region

0.81 km of the collar section

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INFRASTRUCTURE REQUIRED FOR IMPLEMENTATION

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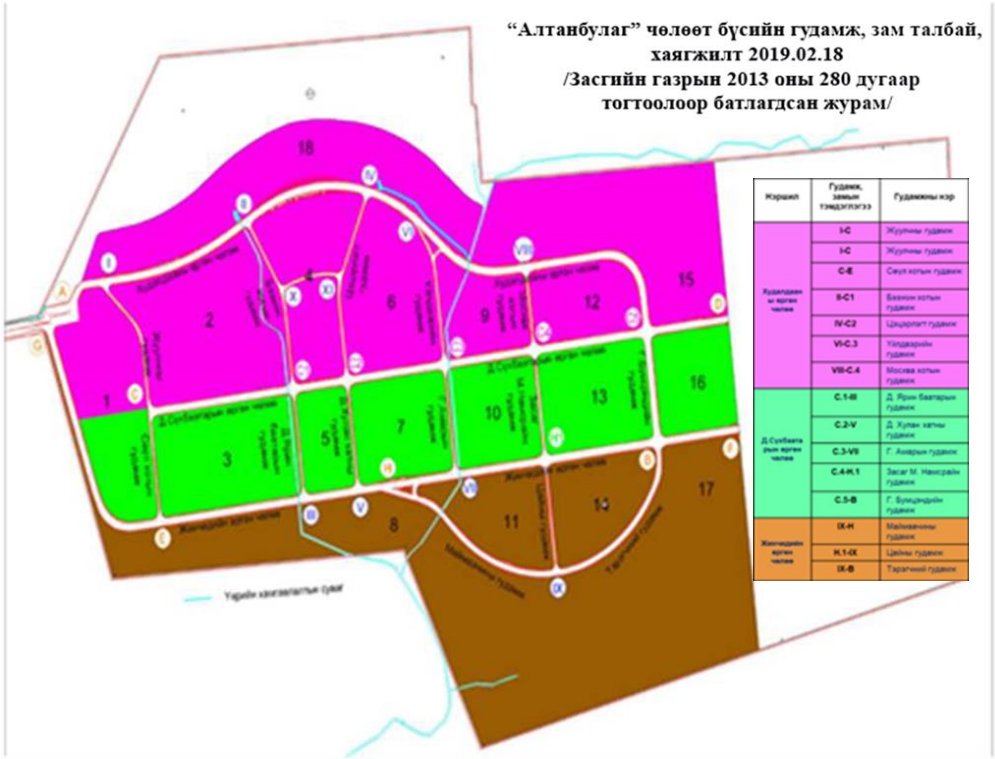


Feasibility study and design are expected:

-Regional and soum power supply extension work / Selenge, Altanbulag / -15.634.142.908 million MNT

- Construction of 13.8 km road in "Altanbulag" free zone - 43,000,000,000 MNT

-"Construction of 0.81 km paved road in "Altanbulag" free zone collar - 4,400,000,000 million MNT

-“Altanbulag” free zone thermal power plant - 60,000,000,000 million MNT

- Construction work of the main well and canalization facility of “Altanbulag” free zone association - 2,128,494,000 million MNT

- “Altanbulag” free zone Governor's office, specialized inspection laboratory building -3.288.503.017 million MNT

- “Trade and service center” building of “Altanbulag” free zone - 3.041.201.382 million MNT / design and budget made in 2012 //

The total amount 131,492,341,307 million MNT

INVESTORS OF THE FREE ZONE

AMOUNT OF TAXES CENTRALIZED TO THE STATE BUDGET

Land fees and charges

1,614,042,449 tug

2008-2021 /first half year/

Corporate income tax, health and social insurance premiums, personal income tax

1,023,890,662 tug

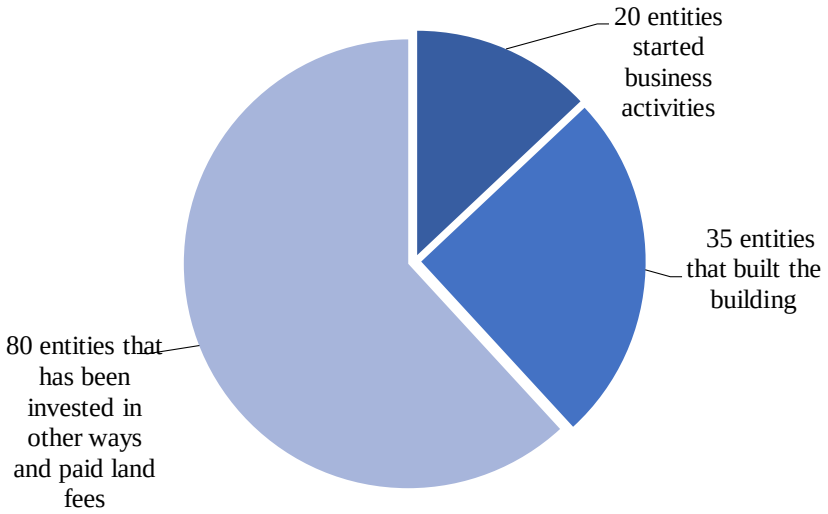
2017-2021 /First half year/

Project selection 7 times

9 ААН

/ contracted-5 /

2015-2020



- 126 enterprises registered in Altanbulag free zone
- 8.4 billion MNT was invested by 63 companies.
- More than 700 temporary jobs and 60 permanent jobs were created as a result of public and private investment..

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BUSINESS ENTITIES WITH PERMANENT ACTIVITIES

АЛТАНБУЛАГ ЧЕЛЕӨТ БУС

Number of the entities	Company activity	Duration /by year/	Importing country	Category of the product
20	Trade and service	2014-2021	UAE, Netherlands, Chile, Argentina, Germany, Italy, Denmark, BNTU, Russia, China, Japan, South Korea, Republic of Kazakhstan, Republic of Uzbekistan, Republic of Kyrgyzstan	More than 100 types of products in duplicate, such as food, machinery, equipment, household and cosmetics, sports goods and ready-made clothing.













FREE ZONE TRADE, PASSENGER AND VEHICLE STATISTICS

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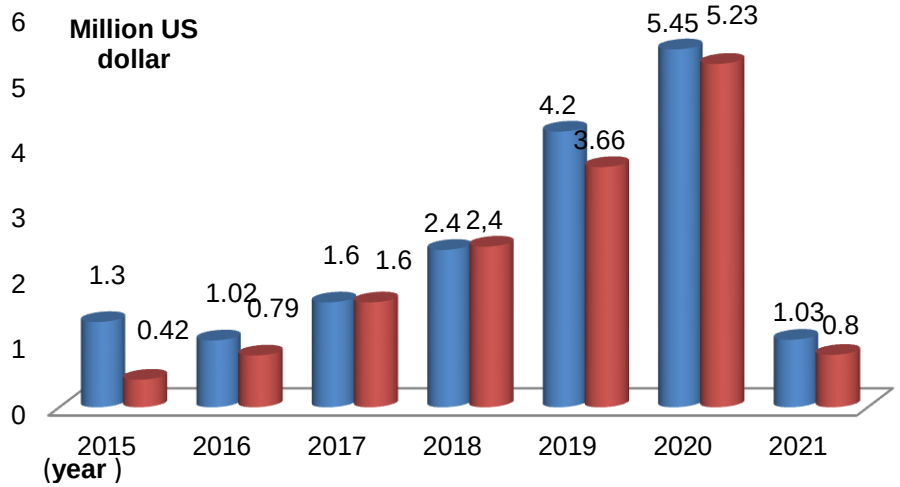
АЛТАНБУЛАГ ЧӨЛӨӨТ БУС

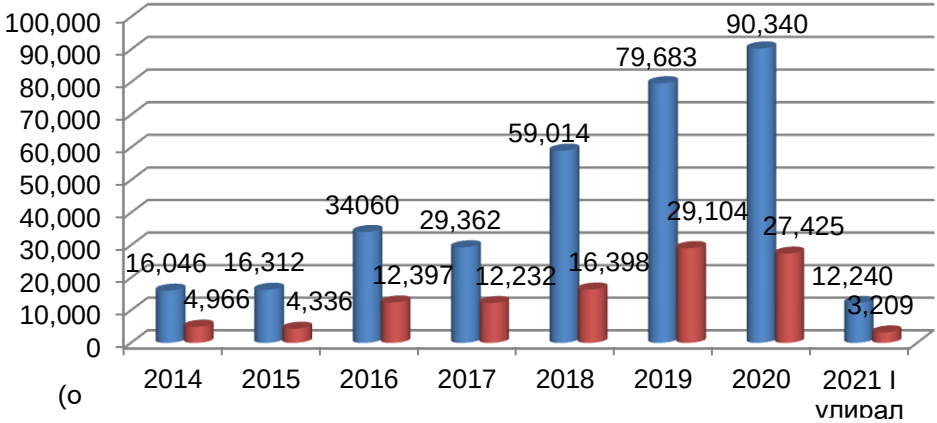
Turn over data /by year/



Imported product total 18.80 UDS

Goods sold Total 16.95 USD

STATISTIC OF PASSENGER AND VEHICLE /BY YEAR/



- Passengers Total -364 018 foreign -1 932
- Vehicle Total- 117 748 foreign - 334

FOREIGN RELATIONS AND COOPERATION

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АЛТАНБУЛАГ ЧӨЛӨӨТ БҮС

МОНГОЛ УЛСЫН ГАДААД ХАРИЛЦААНЫ ЯАМ

- Introduce Mongolia's policy and position in international, regional and multilateral economic cooperation

-Embassy of the Russian Federation in Mongolia
-Russian Trade Representative Office in Mongolia
"Capitalist" business magazine of the Irkutsk region of Russia

- Embassy of the People's Republic of China in Mongolia
- -Mongolian-Inner Mongolian Business Association
- -Zonghua Investors Association
- -China-Russia border trade zone in Manchuria

АЛТАНБУЛАГ ЧӨЛӨӨТ БҮС

MULTILATERAL COOPERATION

FREE ZONE INVESTORS COUNCIL

Improve public-private partnerships. Protecting the business environment, mutual protection and promotion of investment

UNITED NATIONS UNCTAD

United Nations Conference on Trade and Development

- Implement a quarantine regime

- The free zone will be responsible for checking passengers and vehicles and providing security.

- Simplified customs clearance, control and regulation of special customs regimes.

- Implement special regulations on tax credits and exemptions

- Regulate the registration of legal entities and property to operate in the free zone.

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FOREIGN RELATIONS AND COOPERATION

АЛТАНБУЛАГ Чөлөөт бүс

15-22 MEETING OF THE MONGOLIAN-RUSSIAN INTERNATIONAL COMMISSION ON TRADE, ECONOMY, SCIENCE AND TECHNICAL COOPERATION AND 13 REGIONS IN THE REGION

- Make research of possibility of opening a direct gateway and road connecting the "Altanbulag" Free Zone of Mongolia with the Kyakhta, Russia.
- "To cooperate with relevant organizations in resolving the issue of importing and producing logs from Russia on preferential terms in the "Altanbulag" free zone.
- Establish a joint logistics center in the Altanbulag Free Zone of Mongolia
- The "Altanbulag" Free Zone Administration will connect the "Altanbulag" Free Zone to the railway and the AH-3 road network in Asia as part of the supply of additional electricity and the establishment of the Central Railway Corridor.

PROPOSALS INCLUDED IN THE PLAN OF THE VIII REGULAR MEETING OF THE MONGOLIAN-KAZAKHSTAN GOVERNMENT COMMITTEE ON TRADE, ECONOMY, SCIENCE, TECHNOLOGY AND CULTURAL COOPERATION

- To study the experience of developing the "Altanbulag" Free Zone as an economic cooperation zone in order to give an important impetus to the development of trade and economy in the regions of Mongolia and Kazakhstan.
- To cooperate on the establishment of a transport and logistics center in the "Altanbulag" free zone.

MEMORY :

- Tripartite memorandum of understanding on cooperation between Manchuria, China-Russia border trade zone, Customs bonded zone and "Altanbulag" free zone of Mongolia./2019/
- "Memorandum of Understanding between Mongolia and the Republic of Turkey on cooperation in the field of free zones" / 2021 /

МОНГОЛ УЛСЫН ЗАСГИЙН ГАЗАР

PLANNING WORKS

АЛТАНБУЛАГ Чөлөөт бүс

- The activities included in the action plan to implement the Action Plan of the Government of Mongolia for 2020-2024:
  1 The general development plan of "Altanbulag" Free Zone will be revised and approved.
  2. Expand regional and intra-aimag and soum power supply Selenge and Altanbulag. / With approved design and budget /
  3. The "Altanbulag" Free Zone will be connected to the Unified Customs Tele Monitoring System.

  The Asian Development Bank has been proposed for the construction of a 14.6 km paved road within the Altanbulag Free Zone and the construction of a transport and logistics center, which are included in the five-year guidelines for Mongolia's development for 2021-2025.
- Cooperate with the Ministry of Roads and Transportation to establish a logistics center in the Altanbulag Free Zone and approve the terms of reference.
- To entrust the aimag's professional organization with the infrastructure works (sewerage and fresh water pipelines) outside the free zone handed over to the state commission, and to reflect the operating costs in the aimag budget and cooperate.
- Increase the recurrent costs of the free zone, and include the operating costs of the infrastructure facilities in the local budget, followed by the free zone budget.



THANK YOU FOR YOUR ATTENTION

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