An aerial photograph of a city grid, likely Ulaanbaatar, with a specific area highlighted in a lighter shade. The grid consists of rectangular blocks separated by streets. The highlighted area is located in the upper left quadrant of the image.

Metropolitan Institute of Urban Planning,  
Research and Cartography

**"Zamyn-Uud" Free  
Economic Zone**

Ulaanbaatar 2010

**"ZAMYN-UUD" FREE ECONOMIC ZONE****INTRODUCTION FOR MASTER PLAN****PREPARATION****1.1. State Policy on FEZ and legal framework.**

It has been many years since Mongolia's transition to market economy and adherence to open economic policy in 1990s and the country is facing increasing challenge and necessity to develop the country in lines with common international practice and expand economic ties with foreign countries. In this globalization era, our country implements the state policy to attract foreign investment to certain regions of the country by means of legalized incentives and exemptions offered in such regions, to strengthen the capacity of national economy.

The Parliament of Mongolia approved "National Concept on Establishment of Free Economic Zone" in 1995 under its Resolution No.87, in which grounds to establish free zone, are defined as follows:

- Introduce international best practices in the development of FZs, which emerged as an efficient approach to develop the economy openly;
- Combine the interest of foreign investors seeking to invest in certain region of Mongolia with the interest of own country, to support economic development of that region and of the country.

The Parliament of Mongolia passed the Law of Mongolia on Free Zone in June 2002, with the purpose of regulating the relations associated with the establishment of free zones in Mongolia and the definition and implementation of their type, the competence of management, controlling structure, as well as legal framework for tax and customs regulations. Based on the above-mentioned grounds, the Government decided to establish free zones first in Altanbulag, Selenge Province, Zamyn-Uud, Dornogobi Province and Tsagaannuur, Bayan-Ulgii Province and the implementation is underway.

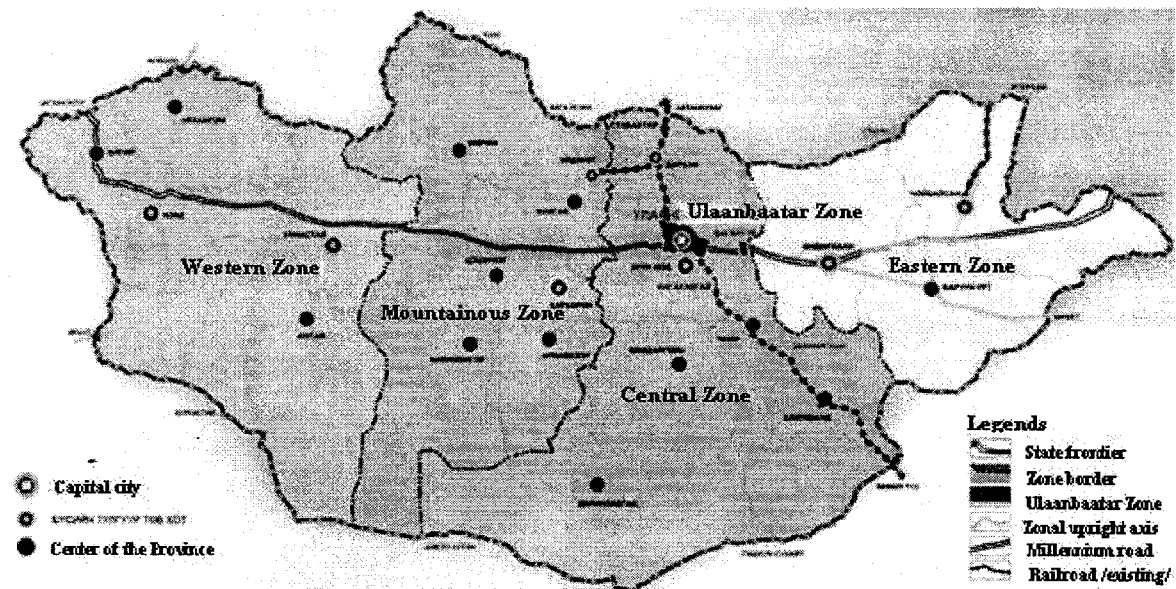


Table 1. Zonal Development of Mongolia and FEZs

The Parliament of Mongolia in 2003 passed a resolution to establish the Zamyn-Uud Free Economic Zone in Zamyn-Uud Soum, Dornogobi Province and consequently adopted in June 2004 the Law on Legal Status of the Zamyn-uud Free Economic Zone to regulate relations associated with the definition and implementation of legal status of the free zone.



Table 2. "Zamyn-Uud" FEZ location

Mongolia's Ministry for Trade and Industry and the Zamyn-Uud Free Economic Zone Administration jointly announced a counselling contractor selection tender (Number: Zamyn-Uud FEZ 08/09) in June 2008 and the Urban Planning Architecture Design Institute of Ulaanbaatar city (UPADI) was awarded the contract to perform drawings for master plan of the "Zamyn-Uud" FEZ.

Based on the contract No.08/09 signed on November 13, 2008 between the Administration of "Zamyn-Uud" FEZ and UPADI the approved drawings requirements, UPADI formulated the master plan for "Zamyn-Uud" FEZ.

The master plan of "Zamyn-Uud" FEZ includes:

- |                                                                                                                                                       |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1. Survey report                                                                                                                                      | Volume I   |
| 2. Comprehensive assessment on urban planning                                                                                                         | Volume II  |
| 3. Master plan. Explanatory note                                                                                                                      | Volume III |
| 4. Master plan. Photo album                                                                                                                           | Volume IV  |
| 5. Report on 1:1000 Scaled Topographic Works required for the formulation of master plan of "Zamyn-Uud" FEZ.                                          | Annex 1    |
| 6. Engineering-geological estimation for separate general plans of residential zone, administration zone, service and public zone of "Zamyn-Uud" FEZ. | Annex 2    |
| 7. Survey of world free economic zones.                                                                                                               | Annex 3    |
| 8. Comparison of world special economic zones and the case of Pakistan.                                                                               | Annex 4    |
| 9. Integrated Development Plan of "Zamyn-Uud" FEZ and the Region.                                                                                     | Annex 5    |

## **1.2. Other Countries' Practice on Free Economic Zone.**

In order to formulate the general plan, the Administration of "Zamyn-Uud" FEZ jointly with "U.M.T" LLC, a market research & consulting company, conducted a pilot survey on best international practices to develop FEZs and on possibilities of operating the "Zamyn-Uud" FEZ in the most efficient way.

A comparative survey of successful FEZ cases in China, India, Malaysia, Thailand, UAE, Pakistan and Vietnam, is used to provide the information about the development of action plan of free zones of Mongolia. The survey indicated that the countries like Malaysia, UAE and Thailand successfully established free zones in highly competitive fields and tend to develop the zone into a self-supportive industrial city.

**Summary of Comparative Survey***In terms of land*

Country name	Forms of Ownership	Expropriation of lands	Land ownership rights and leasehold right	Land incentives
China	Public	Often	Lease	Offered previously but cancelled
India	Public/private	Often	Both	None
Thailand	Public/private	Less	Mostly land ownership	None
Malaysia	Public/private	Less	Mostly land ownership	None
UAE	Public	Less	Land ownership right	None
Vietnam	Public/Joint	Often	Land ownership right	Available
Pakistan	Public/private	Occasional	Both	Available

*In terms of management*

Country name	Role of Government	Role of Region	Zone administrative body
China	Develop a policy and establish zones	Implement the policy and establish zones	Zone Administrative Committee
India	Permission Council drafts general plan and inspect applications of zone establishment	Establish zones	Development Commissariat, Permission Council
Thailand	The Board of Investment works out incentives and policy, the Industrial Estate Authority of Thailand and private sector establish industrial estates or zones		Chairman of Industrial Estates
Malaysia	Grant the competence to state-owned corporations to establish free zones and manage them	Grant the competence to state-owned corporations to establish free zones and manage them, manage overseas operations	Corporation president, development management
UAE	Formulate plans	Emirs establish zone development corporations	State-run corporations to establish zones
Vietnam	Work out plans, issue licenses, approve zones' projects	Appoint a committee in charge of zone	Regional committee in charge of zone
Pakistan	Establish export processing zones	Establish industrial zones	Zone commissariat

### **1.3. Previous projects related to development of "Zamyn-Uud" FEZ.**

In 2004, the Trade and Industry Ministry of Mongolia announced international tender to select strategic investor to develop the "Zamyn-Uud" FEZ and administer its activities under management contract, in which several firms from South Korea, Great Britain, Singapore, Japan and Mongolia competed. West Paradise Co., Ltd. Registered in Virginian Island of Britain was awarded the contract in 2004 and WinWheel Bullion in 2007, respectively.

### **1.4. Concept and methodology applied to develop the master plan of "Zamyn-Uud" FEZ**

Free zones serve as major driving force for the development of both the region and the country and free trade and economic zones bring the following achievements:

- Boosting exports, imports and re-exports;
- Growth of GDP by attracting foreign investment;
- Introduction of state of the art and high technology;
- Acclimatization of good management;
- Speed-up of infrastructure development;
- Liberalization of trade regionally;
- Joining to regional integration immediately;
- Facilitation of customs control and service;
- Intensification of the development of particular remote regions;
- Access to international sea, air, land and railroad network;
- Economic emancipation;
- Creation of new jobs;
- Improvement of population livelihood.

The development of free zone is of great importance for building basic favorable conditions for investment and industrial development in whole territory.

Priority measures to commence the establishment of FEZ efficiently are putting the state policies in due course and determination of regulations, procedure and institutions related to regulation and implementation of FEZ establishment.

For the development of master plan, a geodesic topography (M1:1000) was conducted in 2,700 hectare area occupying the free zone area and the territory of Zamyn-Uud Soum. Besides, physical and mechanical characteristics of soil are defined as result of an engineering-geological survey, which included drilling of supporting boreholes in free zone territory. A hydro-geological survey was also completed to establish water resource and reserve in the free zone territory. Based on compared study of international practices, a pilot market research was carried jointly with a professional research team. The research involved both Zamyn-Uud Soum, Dornogobi Province and Erlian Border City, China and professional teams and the "Zamyn-Uud" FEZ Office largely contributed to the development of master plan.

#### *Action Plan on Development of Policy Framework for Mongolia's FEZ*

<b>Plan 1:</b> Set up FEZ Project Team	<b>Plan 2:</b> Provide legal definition of FEZ	<b>Plan 3:</b> Study needs and requirements of investors
<b>Plan 4:</b> Evaluate economic impact of FEZ	<b>Plan 5:</b> Establish incentives offered by FEZ	<b>Plan 6:</b> Determine standard of FEZ status
<b>Plan 7:</b> Establish criterions for investors in the zone	<b>Plan 8:</b> Set up a government agency in charge of FEZ	<b>Plan 9:</b> Develop and implement policy on FEZ

### 1.5. Comprehensive assessment of urban building for "Zamyn-Uud" FEZ

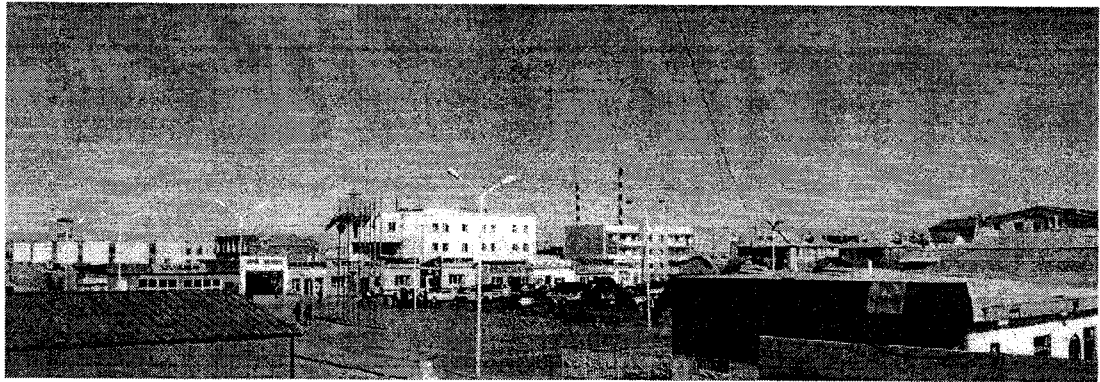
Comprehensive assessment of urban building for "Zamyn-Uud" FEZ was carried pursuant to "Methodological Directive on Comprehensive Assessment of Urban Building in Grounds of Settled Areas" (UBB 30-201-03) approved under the Infrastructure Minister's Order #252 dated 2003 and by means of comprehensive assessment methods of each main factors of urban building assessment.

The territory of "Zamyn-Uud" FEZ is assessed "appropriate" according to natural-ecological factors, "restrictedly appropriate" according to ecology-landscape factors, and "restrictedly appropriate" according to urban building and planning factors. Based on these assessments, the territory of "Zamyn-Uud" FEZ was assessed as "**restrictedly appropriate**", according to comprehensive urban building assessment.

## TWO. DEVELOPMENT PERSPECTIVE OF "ZAMYN-UUD" FEZ

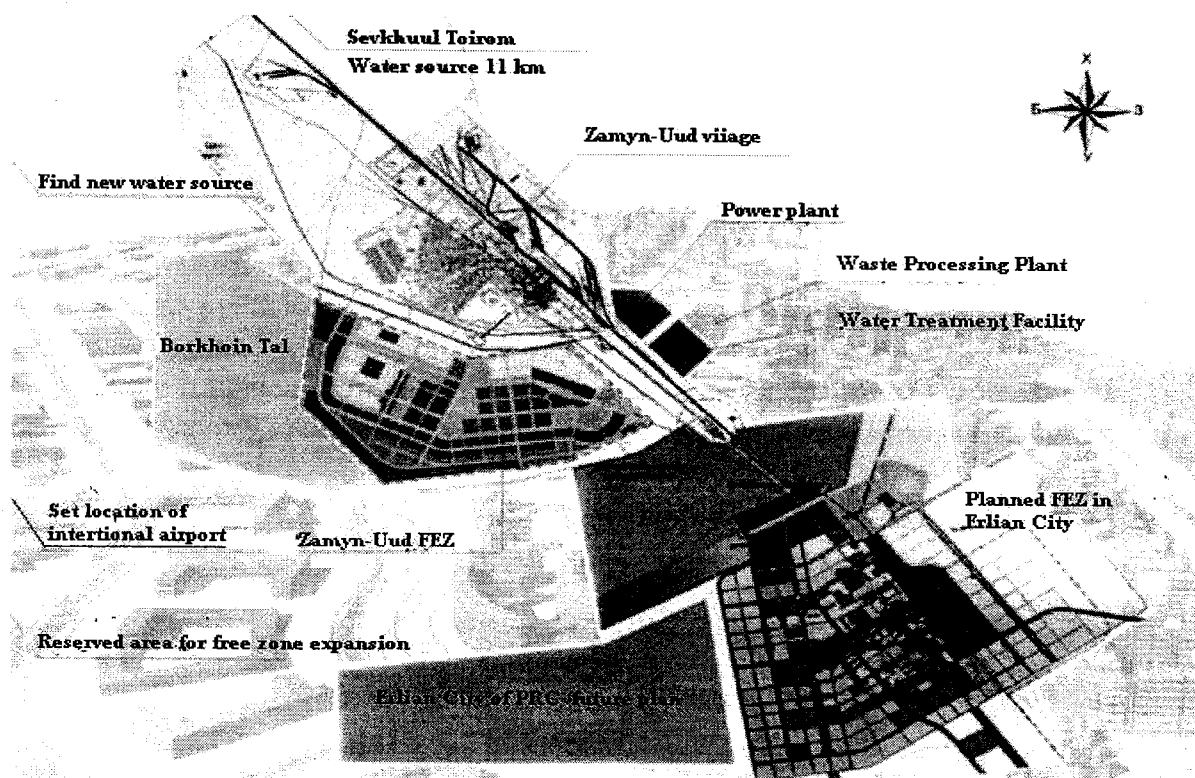
### 2.1. Current state of Zamyn-Uud Soum and "Zamyn-Uud" FEZ

The Zamyn-Uud Soum has a territory of 48.6 thousand hectare in size. 70% of the territory is the state special purpose land, which is border strip and railroad strip. It is situated 730 km far from Ulaanbaatar City, 4.5 kms from southern border of Mongolia and 8 kms from Erlian City, China and is the key border point with permanent operation, by which international autoroad, railroad and airline networks pass. The Zamyn-Uud Soum has a population of 11 000 inhabitants as of 2009.

*Zamyn-Uud Soum. Today*

The proposed site for the Free Zone covers 900 hecater area and is situated east of the Zamyn-Uud Soum. At present, the Free Zone has separating fence, wells, professional inspection facility, border security shelters and paved autoroad linking to Erlian City. The zone has no permanent residents for now and is in original natural look.

The area belongs to semidesert zone of southern Mongolia, with mounds, sandy and small fissures, according to physical-geographical divisions. Soil of the area is desert-like and desert-like steppe and it has grey soil with sand covered layer generated by wind. Prevailing wind direction is from west and northwest. According to seismic zoning, the area is located in MSK-64 scale or in the 6 scale zone according to Building Norms and Codes On Building Planning in Seismic Region BNbD22.01.01\*/2006".

*Surrounding review of "Zamyn-Uud" FEZ*