

INSTITUTE OF THE NORTH

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Anchorage – An internal fight over leasing, royalty and taxing policy for minerals in Mongolia has impact in the United States, and threatens the success of U.S. efforts to help establish rule of law and free-market capitalism in that post-Communist country, according to researchers at the Institute of the North.

Last week, Mongolia's President Nambariin Enkhbayar declared a state of emergency after riots erupted over alleged fraud in the country's fifth parliamentary election. Five people were reported killed in violence and hundreds were detained.

A letter sent by the Institute of the North in June to U.S. Sen. Lisa Murkowski, expressed growing concern over the troubling state of affairs in Mongolia, where Alaska enjoys strong sister-city relations and cooperation between that country's defense forces and Alaska's National Guard.

Because of its critical location between China and Russia and its extensive supply of natural resources, Mongolia has become a hotspot for private sector investment since the fall of its communist government nearly two decades ago. Mongolia has also been an important ally to the United States in the War on Terror.

In its letter to Sen. Murkowski, the institute draws attention to the Mongolian government's recent choice to put in place a confiscatory taxation and mining policy regime in an attempt to gain control over private mining investments. Those actions cast

doubt on Mongolia's commitment to fostering an environment of acceptable business practices and upholding the rule of law.

The state of affairs in Mongolia is particularly troubling given the large amount of American taxpayer aid the nation receives, the institute letter said. Despite its disregard for property rights, the Mongolian government recently received a \$285 million grant from the U.S. taxpayer-funded Millennium Challenge Corporation.

"As you can understand, the stakes are high. Mongolia's future economic growth and development depends on the same kind of institutional norms that have benefited the people of Alaska – a government willing to ensure an attractive investment climate in the mining sector," the letter signed by institute Managing Director Ben Ellis and Senior Fellow Mead Treadwell added.

In its letter, the institute recommended Sen. Murkowski stand by her 2006 Senate Resolution urging Mongolia to support economic reforms, transparency in government, rule of law and protection of property rights.

"Given Mongolia's importance as an ally and friend to Alaska and the United States, it is imperative that action be taken to reverse the disturbing trend of corruption currently polluting the investment environment," said Ellis and Treadwell.