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Mongolian PM says disputes with Rio Tinto are resolved



Commitments for \$US4.2 billion in project financing to dig out more of Oyu Tolgoi, backed by more than a dozen global banks, expired September 30 and haven't been extended. [Reuters](#)

by Michael Kohn

Mongolian Prime Minister Saikhanbileg Chimed stands out from predecessors in his use of national television and texting to get his message across to the public: without foreign investment, the economy is going nowhere.

The 46-year-old – who won office in November after the previous PM was ousted in a no-confidence vote – was back on TV today on a similar theme, highlighting stalled mining projects and disputes with foreign investors that need to be resolved.

"The two sides have reached agreement, in principle, on the main points of dispute. Soon we will officially announce these results to the international community, after bureaucratic levels finalise relevant steps," said Mr Saikhanbileg, referring to two years of negotiations between the government and Rio Tinto Group, which controls the Oyu Tolgoi mine.

Results of on-again, off-again negotiations to develop the Tavan Tolgoi mine will also be announced soon, said Mr Saikhanbileg, speaking in his office surrounded by family photos and a portrait of 13th century warlord Genghis Khan.

Earlier this year, Mr Saikhanbileg went on TV to ask the country's 3 million citizens to text a response to a question he had: Do they want austerity or prosperity? The majority went for the latter, which he's taken as a mandate to get overseas investment flowing again. It fell to \$US507.6 million last year from \$US4.45 billion in 2012.

"Through his television appearances, Saikhanbileg is taking the nation's most critical discussions to the people of Mongolia," Chris MacDougall, managing director at Mongolian Investment Banking Group, wrote in an email. "He is instigating a national dialogue."

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This is a very different picture from 2011 when the economy expanded at a world-beating 17.3 per cent as billions of dollars flowed in from some of the biggest mining companies, Rio Tinto among them. The Asian Development Bank's growth forecast for this year is 3 per cent.

So, what went wrong? Mostly the Rio Tinto deal. The company had spent \$US6.6 billion developing one of the world's biggest copper and gold deposits, at the Oyu Tolgoi mine.

That was until about two years ago when disputes over cost overruns, profit sharing, management control and a \$US30 million tax bill halted deployment of funds to get at the mine's deeper, richer deposits. Similar conflicts have held up development of the \$US4 billion Tavan Tolgoi coal mine in the Gobi Desert.

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Solving Oyu Tolgoi is the bigger mountain to climb, so business officials reckon Mr Saikhanbileg – a weightlifter who bench-presses 175 kilograms (385 pounds) – will focus on sorting out Tavan Tolgoi first.

"Tavan Tolgoi negotiations have reached the final round," the prime minister said. "I'm happy to note that the two sides have reached agreements in principle. During the next government meeting we will discuss and pass the necessary decisions and we will be able to officially announce the Tavan Tolgoi project."

Enkhsaikhan Mendsaikhan, Minister of Mongolia, is leading the Tavan Tolgoi talks for the government with companies including Energy Resources, China Shenhua Energy Co and Sumitomo Corp.

A sticking point is \$US150 million owed by Erdenes Tavan Tolgoi, the state-owned company that holds the license to the deposit, to the Aluminum Corporation of China.

Overcoming financial obstacles will release a flood of investment, Mr Saikhanbileg promised.

"Fourteen of the world's largest banks will invest \$US4.2 billion" for Oyu Tolgoi, "and this opens the door to Mongolians and Mongolian companies to gain economic benefits," said Mr Saikhanbileg.

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