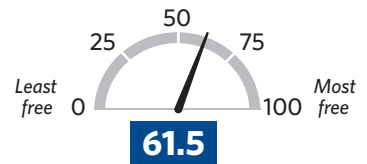


MONGOLIA

Economic Freedom Score



World Rank: **81** Regional Rank: **12**

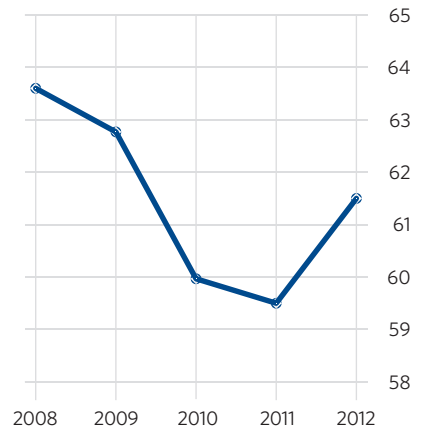
Mongolia's economic freedom score is 61.5, making its economy the 81st freest in the 2012 *Index*. Its overall score is 2.0 points higher than last year, mainly reflecting increased scores in fiscal freedom and government spending. Mongolia is ranked 12th out of 41 countries in the Asia-Pacific region, and its overall score is above the regional average.

The Mongolian economy registered one of the 10 largest score improvements in the 2012 *Index*, regaining the status of "moderately free" economy. Renewed progress in advancing economic freedom has restored momentum for institutional reforms that are critical to ensuring long-term economic vitality. Economic reforms in recent years have supported economic expansion and reductions in poverty. Mongolia's developing entrepreneurial sector has benefited from increased access to financing following banking reforms. Competitive tax rates and an open trade regime are also promoting the emergence of a vibrant private sector.

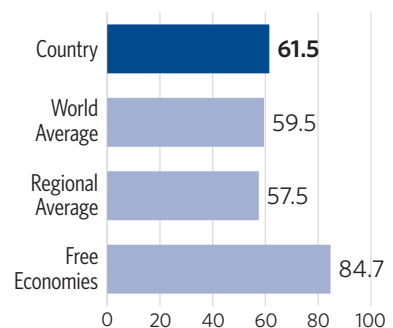
Although Mongolia experienced no decline in any area covered by the *Index*, corruption and the weak rule of law remain drags on economic development. Accelerating judicial reforms, along with continued efforts to streamline public administration, will help to sustain economic growth and broaden the improvement of living standards.

BACKGROUND: Mongolia emerged from the shadow of the former USSR with the adoption of a multi-party system and a new constitution in 1990. Political tension between the Mongolian People's Party, which has a majority in parliament, and the Democratic Party, which holds the presidency, has been considerable since 2009 and heightens the potential for parliamentary deadlock. Mongolia is a primary conduit for trade between Russia and China. At \$2.4 billion, trade with China constituted 47 percent of Mongolia's total trade in 2009. Live-stock herding employs a majority of the population, but the services and industry sectors account for about 80 percent of GDP. Mining continues to attract the largest portion of foreign investment, contributing to strong economic growth.

Freedom Trend



Country Comparisons



Quick Facts

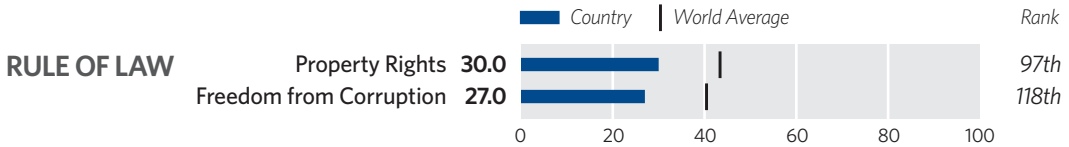
- Population:** 2.8 million
- GDP (PPP):** \$11.0 billion
- 6.1% growth in 2010
- 5-year compound annual growth 8.4%
- \$4,006 per capita
- Unemployment:** 11.5%
- Inflation (CPI):** 10.2%
- FDI Inflow:** \$1.7 billion
- Public Debt:** 43.0% of GDP

How Do We Measure Economic Freedom?

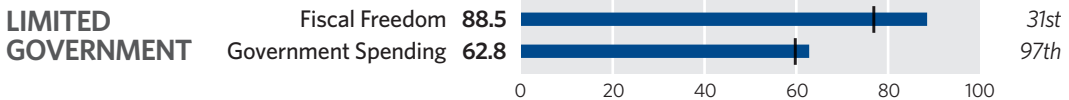
See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2010 data unless otherwise noted.
Data compiled as of September 2011.

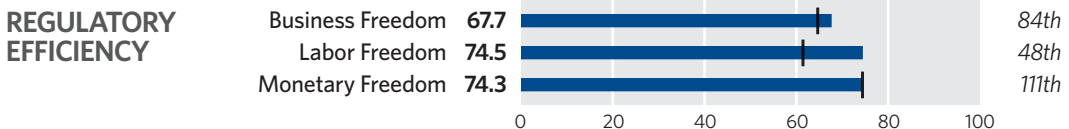
THE TEN ECONOMIC FREEDOMS



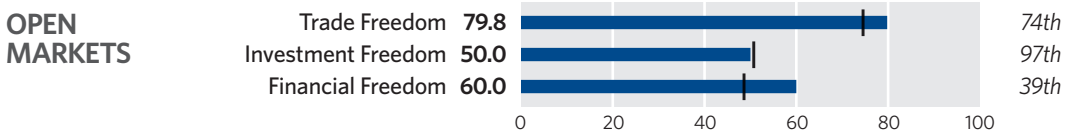
Property and contractual rights are recognized, but enforcement is weak. The judicial system remains inefficient and vulnerable to political interference. The government lacks the capacity to enforce intellectual property rights laws. Pervasive corruption continues to undermine the foundations of economic freedom and adds to the cost of conducting business. Anti-corruption measures are not enforced effectively.



The individual income tax rate is a flat 10 percent, and the top corporate tax rate is 25 percent. Other taxes include a value-added tax (VAT) and an excise tax, and the overall tax burden amounts to 20.6 percent of GDP. Government spending is equivalent to 35 percent of total domestic output. The budget balance has turned to a surplus after recording deficits over the past two years, and public debt stands at around 40 percent of GDP.



The regulatory framework continues to evolve. The minimum capital requirement for launching a business and the cost of completing licensing requirements have been reduced. Employment regulations are relatively flexible, but the labor market lacks dynamism. Inflation has been volatile, although stability is improving. Most price controls and subsidies have been phased out, but the state influences prices through the public sector.



The trade weighted average tariff rate is 5.1 percent, and costly non-tariff barriers further constrain the freedom to trade. Foreign investment is officially welcome, but the legislative framework regarding investment is still developing in an effort to enhance efficiency. Despite the challenging global financial environment, the financial system has undergone rigorous modernization. The banking sector remains relatively well capitalized and stable.

Score Changes

RULE OF LAW	LIMITED GOVERNMENT	REGULATORY EFFICIENCY	OPEN MARKETS
Property Rights	Fiscal Freedom	Business Freedom	Trade Freedom
0	+5.2	0	0
Freedom from Corruption	Government Spending	Labor Freedom	Investment Freedom
0	+13.2	+0.4	0
		Monetary Freedom	Financial Freedom
		+0.7	0