



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MONGOLIA

This report, prepared for the Third Trade Policy Review of Mongolia, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Mongolia on its trade policies and practices.

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SUMMARY

1. Since its previous Review in 2014, Mongolia has maintained a generally open trade regime, and the economy expanded between 2014 and 2019. In 2019, the economy grew by 5.1%, with an improvement in the fiscal balance and an increase in both reserves and GDP per capita. However, affected by the COVID-19 pandemic, exports declined by 40% year-on-year in the first quarter of 2020, and the economy contracted 9.7% in the first half of 2020. Inflation progressed slowly, reflecting an increase in food and utilities prices. The unemployment rate has decreased since 2016, and stood at 7.8% in 2018. Exports, imports, and FDI grew between 2017 and 2019. Mongolia was ranked 92nd overall in the 2019 United Nations Development Programme Human Development Index, up from 108th in 2012. In terms of value-added, the share of services has declined since 2016, to account for 44.8% of GDP in 2019. The share of mining has increased since 2015 to reach 26.0% of GDP in 2019, and that of manufacturing has increased to 10.5%. The share of services in total employment increased to 53.1% in 2019, while that of agriculture decreased to 25.3%.

2. The COVID-19 pandemic gave rise to urgent budget and balance-of-payments needs. In response, Mongolia adopted a relief package on 9 April 2020 to provide support for those affected by the economic downturn. The fiscal measures taken by the Government are estimated to be around 8.9% of GDP. On the monetary policy front, the Bank of Mongolia (central bank) purchased bonds to help finance a debt-relief scheme for the elderly, resumed the purchase of mortgage-backed securities, and provided zero-interest-rate short-term loans to banks.

3. Mongolia's current account deficit increased between 2017 and 2019. Its main export destination is China, and its main export products are minerals; this structure has remained largely unchanged since the previous Review. In 2019, machinery and electrical equipment, transport equipment, and mineral fuels were the main imports; the share of transport equipment increased between 2013 and 2019. In the same time-frame, China's, Japan's, and the Russian Federation's shares in Mongolia's imports increased, while those of the European Union, the Republic of Korea, and the United States declined. The authorities continue to aim at exploiting mineral deposits of strategic importance, while also diversifying export products, in order to reduce dependence on mineral resources.

4. Mongolia introduced a number of national programmes that address trade policy, including the Action Plan of the Government for 2016-2020, the Mongolia Sustainable Development Vision 2030, and the Action Plan of the Government for 2020-24. In 2019, the Export Promotion Council, chaired by the Foreign Minister, was created to coordinate intersectoral activities. The Ministry of Foreign Affairs is responsible for developing and monitoring the overall implementation of trade policy. In addition to the Ministry of Foreign Affairs, several other government ministries and agencies are responsible for different aspects of trade policy.

5. A WTO Member since 1997, Mongolia ratified the Trade Facilitation Agreement in 2016, and took steps to participate in the WTO's plurilateral initiatives. As part of its WTO accession, it made commitments regarding the Agreement on Government Procurement (GPA), and has been an observer to the GPA Committee since 1999. In 2018, it took steps to join the WTO Agreement on Trade in Civil Aircraft. Mongolia has never used the WTO's dispute settlement mechanism. While it made some important notifications on rules of origin, technical barriers to trade, and free trade agreements, there remain some notifications outstanding, such as on customs valuation, quantitative restrictions, import licensing, and agriculture.

6. During the review period, Mongolia concluded its first two free trade agreements: an Economic Partnership Agreement (EPA) with Japan, which entered into force in 2016; and the Asia-Pacific Trade Agreement (APTA), which is expected to come into force for Mongolia in January 2021. These agreements represent a departure from Mongolia's previous policy, whereby the WTO multilateral agreement was essentially its only trade agreement. The EPA is comprehensive, with a long implementation period until 2036. The APTA is expected to reduce tariff barriers by 30% on some 10,000 products for export, while Mongolia reduced import tariffs on 366 HS 6-digit tariff lines. Mongolia also concluded the US-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, which entered into force in March 2017.

7. Mongolia considers that foreign direct investment is important for its development, and it recently implemented policy initiatives to increase domestic and foreign investment, restore foreign

investor confidence, and create a favourable legal environment for foreign investors. The National Development Agency was designated as the State's administrative body in charge of investment matters in 2016; it set up the One-Stop Service Centre to facilitate the delivery of public services to investors in 2019. The legal framework for investment, including the 2013 Investment Law, bilateral investment treaties, and investment restrictions, did not change significantly. The Investor Protection Council was established in 2016 to oversee the legal rights and interests of investors. Mongolia actively encourages investment in certain sectors, such as innovative technologies and downstream processing sectors. It offers tax and non-tax incentives to attract potential investors. During the review period, FDI inflow increased. FDI was mainly in mining and quarrying.

8. The Customs Law, 2008, and the Law on Customs Tariffs and Customs Taxes, 2008, remain the main legislation on customs matters. They underwent revision during the review period to align with other legislation that implements the single window system, electronic data exchange, and advance rulings. Since 2010, the Customs Automated Information System (CAIS) has been used as the main system for the electronic clearance of goods. In 2016, a project was launched to build a new CAIS and implement a single window application.

9. As a landlocked country, Mongolia has a particular interest in trade facilitation work at the WTO, as it is especially impacted by transit and border cooperation matters. It actively participated in the Trade Facilitation Agreement negotiating phase, and it embarked on a process of streamlining and simplifying procedures and regulations at its borders. A number of trade facilitating measures were implemented, including risk management, electronic payment systems, the authorized economic operator programme, and customs cooperation. Mongolia committed to implement 15 Category B and C commitments by 2020; as at September 2020, 6 had been implemented.

10. Rules on customs valuation are contained in the Law on Customs Tariffs and Customs Taxes, 2008, and did not undergo any significant modification. Mongolia has six different methodologies for determining customs value that largely reflect those in the WTO Customs Valuation Agreement. Transaction value remains the primary method of valuation, accounting for 84% of declarations in 2019. The Law also provides the main framework for rules of origin; a December 2016 Government Resolution was put in place to further clarify and modify the procedures to help implement the rules for the EPA with Japan.

11. Mongolia's tariff regime did not change significantly, with the overall average rate increasing slightly from 5% in 2013 to 5.3% in 2020, mainly due to increases in tariffs on spirits and tobacco. There remains a significant gap with WTO bindings, which average 17.6%, thus giving Mongolia flexibility to raise its tariffs, but also reducing predictability of the tariff regime. Mongolia has many tariff exemptions, which increased in number during the review period, including recent temporary exemptions on medical products in response to the COVID-19 pandemic. The number of prohibited/restricted tariff lines increased from 3 to 111.

12. Other main charges on imports are the value-added tax (VAT) and excise duties. The VAT rate remains unchanged, at 10% on most goods and services, but is zero-rated on exports. Excise duties are applied on alcoholic beverages, tobacco, gasoline, diesel fuel, passenger vehicles, and various types of gaming and gambling products and activities. Excise duty rates on most products increased substantially, and while some rates were harmonized between imported and domestic goods, differing rates remain on gasoline, diesel fuel, and passenger vehicles. As with tariffs, there are several provisions or incentives to exempt sectors or products from VAT.

13. Mongolia maintains prohibitions, restrictions, or licensing requirements upon importation. Many reflect its obligations under international conventions such as CITES, the Hague Convention, and the Montreal Protocol. A new measure requiring import licences on firearms was approved and entered into force in 2015.

14. Mongolia does not have any legislation concerning anti-dumping, countervailing, or safeguard measures. It has established a working group to develop regulations in this area, and a regulation on safeguards is being drafted. Mongolia's EPA with Japan contains provisions on trade remedies, mainly allowing the parties to use the WTO agreements in this area, or alternatively, a bilateral safeguard measure.

15. Similar to the process of customs clearance for imports, exports are processed through the CAIS, and an expedited paperless clearance process exists for coal exports. Mongolia continues to apply export duties (MNT 150,000/m³) on five categories of wood products and export taxes (MNT 1,500/piece) on certain skins of goats. A number of goods are subject to export prohibitions or restrictions, mostly in line with Mongolia's participation in international conventions. In 2018, the Government developed the Mongolian Export Program as a policy instrument to support research and marketing of priority export products, in particular those outside the mining sector.

16. Mongolia has subsidies or incentive schemes in various sectors, including agriculture and manufacturing, and for small- and medium-sized enterprises. It does not have export subsidies on agricultural products. The COVID-19 pandemic prompted government support for the cashmere sector, and a number of development funds exist. Mongolia also offers a number of tax rebates, incentives, and duty/VAT exemptions to certain sectors or to companies operating in free zones.

17. In the area of standards and technical requirements, the main law on standards, technical regulations, accreditation, and conformity assessment was revised and replaced, a new list of products and services subject to mandatory conformity assessment was issued, and a new law on metrology was adopted. In 2016, the National Quality Program was established to improve the legal environment and develop a quality infrastructure, and a technical regulation was implemented for imported alcoholic beverages. As at July 2020, more than 6,500 standards and technical regulations were registered. Mongolia made five TBT notifications during the review period.

18. Mongolia's SPS regime faced challenges but continued with several improvements. For example, SPS requirements and practices are not fully harmonized with international SPS standards. There is a lack of risk-based inspection, and regulatory and testing systems are noted as needing investment and improvement. Many of the laws on SPS have been in place for many years with few amendments, although new Laws on Animal Health, Fortified Food, and Organic Food were recently enacted. Mongolia plans for several initiatives to improve the SPS environment, including establishing an electronic information system for food safety, introducing an animal husbandry origin system, bringing the veterinary structure up to international standards, and taking actions to prevent contagious diseases. Mongolia did not make any SPS notifications during the review period.

19. The main legislation on competition remains the Law on Competition, 1993, as amended. Mongolia's Authority for Fair Competition and Consumer Protection (AFCCP) operates as the sole body permitted to investigate alleged anti-competitive practices, and it also is responsible for the regulation of prices of natural monopolies. As at February 2020, 151 natural monopoly entities operated in various sectors. The AFCCP cooperates internationally with several other competition authorities to address concerns.

20. Despite a number of privatization initiatives in recent years, state ownership of companies continues to be prevalent, and some companies have been nationalized. During the review period, the Government's main policy goal was to improve the regulatory and legal framework, as well as public sector management and governance, of state-owned enterprises (SOEs). In 2016, the Government Implementing Agency for Policy Coordination on State Property was created to manage state-owned assets of enterprises. As at July 2020, Mongolia had 105 SOEs, mainly in the energy, mining, and transport sectors.

21. The Public Procurement Law of Mongolia, adopted in 2011 and subsequently amended, regulates all stages of the procurement process. The most recent amendments entered into force in 2019, and introduced significant changes to the public procurement process by: (i) implementing a preconditioned procurement procedure and a "green procurement" concept; (ii) clarifying the roles and responsibilities of procurement inspectors; and (iii) providing for an additional condition for forfeiting bid securities. No data are available regarding foreign suppliers' participation in the public procurement market.

22. In 2015, Mongolia adopted the National Strategy for the Development of Intellectual Property. In September 2016, the Patent Law was amended. Parliament adopted, on 23 January 2020, the Law on Intellectual Property to address overlaps, conflicts, and other issues within existing IP laws; it was expected to enter into force on 1 December 2020. Regarding enforcement, the Law on Infringement entered into force in 2017. The Enforcement Department of the Intellectual Property Office of Mongolia is responsible for enforcing IPR-related laws in accordance with the Law on

Infringement. Since 2013, the Department has conducted 1,414 cases and determined 1,230 IPR infringements.

23. Agriculture has long played an important role in Mongolia's economy, employment, and trade despite the country's challenging climatic conditions. During the review period, the sector accounted for between 11% and 13% of GDP and between 25% and 30% of employment. Cashmere, horse meat, and prepared and preserved meat are the main agricultural exports. Tobacco products are the main agricultural import. Mongolia's measures in agriculture include: tariffs, averaging 7% with peaks as high as 40% (tobacco products); quantitative restrictions on a list of 33 strategic food items; domestic support and subsidies; and tax incentives and rebates. A number of government policies and programmes have been put in place in recent years with the overall aim to increase agricultural output and improve competitiveness and efficiencies of the sector. In 2013, the Mongolian Agricultural Commodity Exchange was established to improve the supply and trade of agricultural products, particularly cashmere.

24. Mining is the dominant sector of the economy. Since 2014, production has grown for almost all mining products. However, the sector was affected by the overall fall of demand and in prices triggered by the effects of the COVID-19 pandemic. Coal and copper constitute the main mineral exports. China and the Russian Federation are Mongolia's main mineral export destinations. More than 95% of the coal produced was exported to China in 2019. Only legal entities incorporated in Mongolia can apply for exploration licences. Differential treatment between domestic and foreign entities exists in land rights and the requirement that foreign SOEs investing in an entity operating in the mining sector need prior approval if they acquire 33% or more of the shares. The main change in the legal regime for mining was a series of amendments to the Mineral Law in March 2019, closing loopholes in the tax and royalties regime, applied equally to domestic and foreign owned companies. As specified in the Petroleum Law, the exploration and production of crude oil is subject to a specific regime distinct from the general mining regime; exploration activities are carried out under a production sharing agreement signed with the Mineral Resource and Petroleum Authority of Mongolia. Mongolia's growing production of crude oil is exported in its quasi-totality because Mongolia does not have any refining facilities. It imports all its refined products from neighbouring countries.

25. According to the authorities, over 90% of the population has access to electricity at affordable prices. The share of imported electricity in Mongolia's supply grew from 7% in 2012 to 20% in 2019. The sector's operation is unbundled. The ownership and the management of renewable energy power plants are partially privatized and open to foreign investment; the remainder of the sector is state-owned and publicly managed. Mongolia's energy system faces capacity and environmental challenges; thus, the authorities are planning for reform and expansion.

26. The manufacturing sector exhibited significant growth, with the value of gross output increasing from MNT 3.2 billion in 2013 to MNT 9.9 billion in 2019. Much of this growth was attributable to the food and beverage and the coke, chemicals, and mineral products sectors. In terms of trade, mineral products are the main exported goods. The Government's general policy is to increase competitiveness and promote the development of a "national production" programme that prioritizes export-oriented production and import-substituting manufacturing. To achieve these objectives, the Government supports the manufacturing sector through several measures and incentives and a number of sector-specific programmes or policies, such as the cashmere programme.

27. Mongolia adopted or amended numerous regulations regarding banking services, including a new regulation on licensing. The banking sector is open to foreign investment; currently, there are no foreign banks established as a subsidiary, a branch, or a representative office. A foreign company or foreign citizen wishing to become a shareholder of a Mongolian insurance company is subject to the same requirements as a Mongolian company/citizen. Mongolia undertook partial GATS commitments on banking services; in its EPA with Japan, such commitments were extended to leasing activities. It also undertook full GATS commitments on insurance, reinsurance, and transportation insurance for the first three modes of delivery; these commitments are replicated in the EPA with Japan.

28. Regarding the telecommunications sector, Mongolia's fixed-line penetration is low, reflecting the dominance of mobile-broadband services. The State owns a 94.7% share of the incumbent fixed-telecom operator, and a 100% share of a telecom network company. The leading mobile operator is

under foreign ownership. Some services including fixed-line services, internet services, and leased lines, and some mobile services are fully liberalized. Mongolia's telecom regulations authorize local loop unbundling. There is no legislation on number portability. Interconnection fees are cost oriented. Regulations of pricing exist on retail mobile voice telephony services and satellite TV services. Universal service obligations exist in various services, including voice telephony services. Mongolia undertook commitments on value-added telecommunications services both under the GATS and in its EPA with Japan.

29. The domestic aviation market is small and mainly comprises flights linking Ulaanbaatar and other principal towns. There is no ceiling on foreign investment in domestic airlines. Mongolia has 17 licensed airports, including one international airport. The commercial aviation authority has a *de facto* monopoly on ground-handling services; self-handling by airlines is also allowed. There are 16 operators of maintenance repair and overhaul aviation services, 9 of which are foreign owned. There are no specific regulations on the operation of computer reservation services and the selling and marketing of air tickets by airlines; these activities are fully open to foreign investment. The Government plans to partially privatize the 100% state-owned Mongolyn Irgenii Agaaryn Teever (MIAT) airline. Mongolia has 39 bilateral air transport agreements, follows a policy of gradual liberalization, and encourages code-sharing with its national airline. There is no specific policy for cargo flights, and the charter policy is based on reciprocity.

30. Mongolia depends heavily on railways to carry freight, particularly for exporting mineral resources. The Law on Railway Transport, 2007, stipulates that railway infrastructure deemed critical for the nation's economy or society can be either fully state-owned or dominantly state-controlled, or it can be transferred to state holding after a certain length of time.

31. Since the early 2000s, the roads policy has focused on construction of five north-south highways and one east-west highway. Licences for passenger and freight transport are granted on the basis of full national treatment. There is a non-compulsory administrative guidance on how to determine the price for freight. Mongolia has a network of 11 bilateral road transport agreements, all of which regulate both freight and passenger transport.

32. While Mongolia has no navigable route to the sea, it instituted in 1999 an open shipping registry, with no nationality requirements in terms of ownership and crew, including officers. In 2018, the fleet registered under the Mongolian flag represented 0.03% of the world fleet. Mongolia did not undertake any GATS commitments on transport services.

33. The main legislation on tourism is the Tourism Law, adopted by Parliament in 2000. It defines an open market access regime that encourages investment, and notably foreign investment. During the review period, the Government promoted several tax exemptions designed to boost foreign investment. The sector was severely hit by the COVID-19 pandemic; thus, the Government took some provisional support measures, such as creating exemptions from social insurance contributions and income tax and distributing relief funds to employees of affected businesses.

1 ECONOMIC ENVIRONMENT

1.1 Recent Economic Developments

1.1. The Mongolian economy continued to grow between 2014 and 2019. The growth rate declined to 1.2% in 2016, reflecting a sharp fall in mineral commodity prices. It subsequently recovered due mainly to a rise in mineral exports, reflecting an increase in global commodity prices and in inward foreign direct investment (FDI). In 2019, the economy grew by 5.1%, with an improvement in the fiscal balance and a continued increase in reserves and GDP per capita (Table 1.1). However, affected by the COVID-19 pandemic, exports contracted by 40% year-on-year in the first quarter of 2020, and the economy contracted 9.7% in the first half of 2020.¹

1.2. Inflation progressed slowly, and stood at 7.3% in 2019, reflecting an increase in food and utilities prices; in 2020, it came down, to 1.7% in September. The unemployment rate has decreased since 2016, and stood at 7.8% in 2018. Exports, imports, and FDI continued to grow between 2017 and 2019.

1.3. In terms of value-added, the share of services in GDP has declined since 2016, to account for 44.8% of GDP in 2019. The share of mining has increased since 2015 (26.0% of GDP in 2019), and that of manufacturing has increased since 2017 (10.5% of GDP in 2019) (Table 1.2). In terms of employment, the share of services has increased since 2017, to 53.1% of total employment in 2019, while that of agriculture decreased in the same period, to 25.3%.

1.4. The COVID-19 pandemic substantially affected the Mongolian economy, giving rise to urgent budget and balance-of-payments needs. In response to the pandemic, Mongolia adopted its first relief package on 9 April 2020 to provide support for those affected by the economic downturn. The total amount of fiscal measures by the Government is estimated to be around 8.9% of GDP.² On the monetary policy front, the Bank of Mongolia (central bank) decided to: (i) purchase bonds to help finance a debt-relief scheme for the elderly; (ii) resume support for subsidized housing loans via the purchase of mortgage-backed securities; and (iii) provide zero-interest-rate short-term loans to banks.³

1.5. In accordance with Article 7 of the Law on the Prevention, Fighting, and Social and Economic Development in relation to COVID-19 Infection, promulgated on 29 April 2020, the Government adopted action plans.⁴ Under the plans, the Government implemented the following actions to sustain the economy: (i) it discussed with the Government of China and implemented the Green Gate temporary measure to increase mineral exports; (ii) it increased social welfare, including child allowance, from MNT 20,000 to MNT 100,000; and (iii) to support enterprises, it delayed social security insurance and personal income tax payments; and introduced a tax exemption for certain small- and medium-sized enterprises (SMEs).

1.6. Mongolia was ranked 92nd overall in the 2019 United Nations Development Programme (UNDP) Human Development Index, up from 108th in 2012.⁵

¹ IMF, *Request for Purchase under the Rapid Financing Instrument*, 27 May 2020.

² IMF, *Country Report No. 20/205*, June 2020. To support Mongolia, the IMF approved the request for emergency financial assistance under the Rapid Financing Instrument (RFI) of about USD 99 million, which is intended to help support foreign exchange reserves, create fiscal space for essential pandemic-related expenditures, and catalyse donor support. On 24 May 2017, Mongolia entered into a three-year arrangement of USD 425 million with the IMF under the Extended Fund Facility (EFF).

³ The Bank of Mongolia's Monetary Policy Committee held an unscheduled meeting on 13 April 2020, and decided to extend the maturity limit on consumption loans up to 12 months and to lower the policy rate by 1 percentage point to 9%. Bank of Mongolia, *Lowering the Policy Rate and Extending the Maturity of Consumer Loans*, 13 April 2020. Viewed at: https://www.mongolbank.mn/documents/pressrelease/Monetary_policy_statement_eng_Apr2020.pdf.

⁴ Legalinfo, *Law on Prevention, Fighting, and Social and Economic Development of Coronavirus Infection/COVID-19*, 29 April 2020. Viewed at: <https://www.legalinfo.mn/law/details/15312?lawid=15312>.

⁵ UNDP, *2019 Human Development Index Ranking*. Viewed at: <http://hdr.undp.org/en/content/2019-human-development-index-ranking>.

Table 1.1 Selected macroeconomic indicators, 2014-19

	2014	2015	2016	2017	2018	2019
National accounts				(%)		
Real GDP growth	7.9	2.4	1.2	5.3	7.2	5.1
Nominal GDP (USD million)	12,226.5	11,749.6	11,186.7	11,425.8	13,108.8	13,852.9
Per capita GDP (USD)	4,158.5	3,918.6	3,660.2	3,669.4	4,135.0	4,295.2
Unemployment rate (%)	7.9	7.5	10.0	8.8	7.8	..
Prices and interest rates				(%)		
Inflation (consumer price index, % annual change (period average))	12.3	5.7	0.7	4.3	6.8	7.3
Bank of Mongolia policy rate (end-period)	12.0	13.0	14.0	11.0	11.0	11.0
Money and credit (end-period)				(% change)		
Broad money (M2) ^a	12.5	-5.5	21.0	30.5	22.8	7.0
Exchange rate						
MNT per USD (period average)	1,817.9	1,970.3	2,140.3	2,439.8	2,472.5	2,663.5
Fiscal policy				(% of GDP unless otherwise indicated)		
Current fiscal balance	4.4	-0.1	-4.3	2.9	8.2	9.9
Revenue and grants	28.4	25.8	24.4	28.4	31.0	32.4
Expenditure and net lending	32.1	30.8	39.7	32.3	28.5	31.0
Overall balance	-3.7	-5.0	-15.3	-3.9	2.6	1.4
General government debt ^b	76.5	81.5	87.6	84.6	73.3	73.0
Domestic	21.6	25.6	20.2	13.6	5.3	4.2
External sector						
Current account balance	-15.8	-8.1	-6.3	-10.1	-16.8	-15.6
Net merchandise trade	1.5	4.8	12.0	13.1	5.2	8.4
Exports	44.7	37.8	42.9	51.1	50.0	51.9
Imports	43.3	33.1	31.0	38.0	44.9	43.5
Services balance	-10.5	-6.1	-12.0	-10.6	-15.1	-14.4
Capital account	1.1	1.0	0.8	0.7	0.7	1.2
Financial account	-12.3	-6.7	-7.3	-22.7	-16.0	-19.3
Merchandise exports (% change in USD)	44.4	-18.7	8.0	21.4	12.4	9.6
Merchandise imports (% change in USD)	-17.3	-26.6	-10.8	25.2	35.5	2.4
Services exports (% change in USD)	-11.9	13.5	16.3	20.7	15.0	10.9
Services imports (% change in USD)	-5.1	-25.9	52.3	2.0	41.6	4.4
International reserves (end-period, USD million)	1,651.8	1,322.5	1,304.1	3,016.7	3,549.7	4,363.7
(in months of prospective imports of goods and services)	4.1	4.4	4.7	7.0	7.0	8.0
Total external debt (end-period, USD billion)	21.9	22.7	24.6	27.5	28.7	30.7

.. Not available.

a M1 (currency) + quasi money (tugrik-denominated time deposits and foreign currency deposits).

b General government debt excludes the debt of state-owned enterprises and the Bank of Mongolia's liabilities from swap lines with the People's Bank of China.

Source: National Statistics Office of Mongolia; Bank of Mongolia; IMF, *Staff Report for the 2019 Article IV Consultation*, Country Report No. 19/297, September 2019; and information provided by the authorities.

Table 1.2 GDP, by economic activity and employment, 2014-19

	2014	2015	2016	2017	2018	2019
GDP by economic activity at constant 2010 prices (% change)						
Agriculture, forestry, and fishing	13.7	10.7	6.2	1.8	4.5	8.4
Mining and quarrying	19.4	14.1	0.2	-5.5	6.1	-0.4
Manufacturing	4.2	2.6	-0.8	19.9	15.7	10.9
Electricity, gas, and water supply	5.3	3.1	1.5	5.0	8.2	5.3
Electricity, gas, steam, air-conditioning supply	6.2	4.5	2.0	5.5	8.2	5.9
Water supply; sewerage, waste management, and remediation activities	-0.7	-7.0	-1.8	1.4	8.2	0.3
Construction	-4.3	-0.2	-4.9	11.4	4.7	8.0
Services	7.8	0.6	1.1	7.7	4.7	5.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	2.4	-8.1	-2.6	6.8	2.2	7.9
Transportation and storage	14.8	5.1	11.5	14.2	7.6	2.0
Accommodation and food-service activities	-10.8	3.3	1.5	9.7	11.6	4.5
Information and communication	4.7	-2.5	-6.6	13.3	7.8	7.5
Financial and insurance activities	32.6	14.6	2.3	9.1	5.5	10.3
Real estate activities	3.7	4.3	1.2	6.7	6.9	2.6
Professional, scientific, and technical activities	12.3	-0.2	-7.4	-5.9	7.2	9.2
Administrative and support service activities	0.9	2.8	0.2	9.5	4.0	3.5

	2014	2015	2016	2017	2018	2019
Public administration and defence; compulsory social insurance	2.5	3.0	-0.1	1.2	0.6	4.8
Education services	1.6	-0.7	2.0	3.0	2.6	3.2
Human health and social work activities	9.4	1.9	-0.1	2.0	2.6	4.1
Arts, entertainment, and recreation	0.2	3.5	8.5	1.1	0.6	4.9
Other service activities	-4.1	-2.6	6.3	4.1	2.4	-3.6
GDP, by economic activity at current basic prices (%)						
Agriculture, forestry, and fishing	14.7	14.5	12.7	11.3	12.1	12.1
Mining and quarrying	18.2	18.6	21.9	25.8	26.7	26.0
Manufacturing	9.7	8.3	8.0	9.9	10.6	10.5
Electricity, gas, and water supply	2.0	2.3	2.7	2.4	2.4	2.3
Electricity, gas, steam, air-conditioning supply	1.6	1.8	2.1	1.9	1.9	1.8
Water supply; sewerage, waste management, and remediation activities	0.4	0.5	0.6	0.5	0.5	0.5
Construction	4.9	4.6	4.3	4.1	4.1	4.2
Services	50.5	51.7	50.3	46.5	44.1	44.8
Wholesale and retail trade; repair of motor vehicles and motorcycles	12.6	12.6	12.1	11.3	10.5	10.7
Transportation and storage	5.5	5.7	5.6	5.4	5.2	5.2
Accommodation and food-service activities	1.0	1.0	1.1	1.1	1.1	1.2
Information and communication	2.4	2.3	2.2	1.9	1.9	1.9
Financial and insurance activities	5.2	5.8	5.6	5.6	5.4	5.4
Real estate activities	7.4	7.5	7.5	6.6	6.3	5.8
Professional, scientific, and technical activities	2.5	2.4	1.9	1.6	1.5	1.6
Administrative and support service activities	1.0	1.0	1.0	0.9	0.9	1.0
Public administration and defence; compulsory social insurance	4.5	5.0	5.1	4.6	4.2	4.2
Education services	4.9	4.8	4.8	4.4	4.1	4.6
Human health and social work activities	2.0	2.2	2.2	1.9	1.9	2.2
Arts, entertainment, and recreation	0.5	0.5	0.5	0.4	0.4	0.4
Other service activities	0.9	0.9	0.8	0.6	0.6	0.5
Share of sector in total employment (%)						
Agriculture, forestry, and fishing	28.0	28.5	30.4	28.8	26.7	25.3
Mining and quarrying	3.7	..	3.3	4.2	4.6	5.1
Manufacturing	7.7	..	7.5	7.5	8.0	7.9
Electricity, gas, and water supply	2.0	..	1.9	1.8	1.8	2.6
Electricity, gas, steam, air-conditioning supply	1.4	..	1.4	1.4	1.3	1.7
Water supply; sewerage, waste management, and remediation activities	0.6	..	0.5	0.4	0.5	0.9
Construction	7.3	..	6.2	5.7	6.1	6.0
Services	51.3	..	50.6	52.0	52.7	53.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	15.3	..	15.0	16.5	16.9	14.0
Transportation and storage	6.3	..	5.7	5.9	5.9	5.3
Accommodation and food-service activities	3.3	..	2.8	2.9	3.0	3.2
Information and communication	1.6	..	1.6	1.2	1.1	1.1
Financial and insurance activities	2.1	..	1.9	1.9	2.1	2.1
Real estate activities	0.1	..	0.1	0.0	0.1	0.1
Professional, scientific, and technical activities	1.1	..	1.1	1.0	1.2	1.6
Administrative and support service activities	1.1	..	1.3	1.7	1.5	1.8
Public administration and defence; compulsory social insurance	6.0	..	6.5	6.6	6.1	7.5
Education services	8.1	..	8.3	8.0	7.9	8.4
Arts, entertainment, and recreation	1.0	..	0.9	0.8	1.1	1.6
Activities of households as employers	3.5	..	3.7	3.4	4.0	4.2
Other service activities	2.0	..	1.8	2.0	2.0	2.3

.. Not available.

Source: Mongolian Statistical Information Service, *National Accounts*. Viewed at: www.1212.mn/Stat.aspx?LIST_ID=976_L05&type=tables; and *Employees*. Viewed at: www.1212.mn/tables.aspx?TBL_ID=DT_NSO_0400_035V7.

1.7. Mongolia's current account was in deficit during the review period; the deficit increased between 2017 and 2019 (Table 1.3). Mongolia's main export destination is China, and its main export products are minerals; this structure has remained largely unchanged since the previous Review (Section 1.2). The authorities continue to aim at exploiting mineral deposits of strategic importance, while also diversifying export products, so that Mongolia will be less dependent on mineral resources. In this context, the Action Plan of the Government for 2016-20 was adopted on 9 September 2016⁶ to, *inter alia*, diversify the economic structure and export products. In addition, in September 2018, the Mongolian Export Program (2018-22) was adopted by the Government to, *inter alia*: (i) promote non-mining exports; (ii) diversify export markets; (iii) promote export development; and (iv) support export market analysis.⁷ The Programme aims to promote non-mining exports through supporting the supply chain and production of agricultural products, including wool, cashmere, leather, meat, milk, and sea buckthorn.⁸

Table 1.3 Balance of payments, 2014-19

(USD million)

	2014	2015	2016	2017	2018	2019
Current account	-1,934.3	-948.5	-699.7	-1,155.4	-2,206.8	-2,161.7
Trade balance	177.7	562.6	1,337.8	1,493.7	675.5	1,158.1
Exports (f.o.b.)	5,470.8	4,446.4	4,804.0	5,834.3	6,556.5	7,182.8
Imports (f.o.b.)	5,293.1	3,883.8	3,466.2	4,340.6	5,881.0	6,024.7
Services, net	-1,289.2	-715.5	-1,338.3	-1,216.1	-1,978.3	-1,991.7
Receipts	607.0	688.8	800.9	966.3	1,111.6	1,232.7
Payments	1,896.2	1,404.3	2,139.2	2,182.4	3,089.9	3,224.4
Primary income, net	-972.5	-969.7	-911.2	-1,612.6	-1,227.5	-1,568.8
Receipts	57.1	58.8	68.3	76.4	345.6	394.5
Compensation of employees	53.8	53.7	58.2	62.8	299.3	306.7
Investment income	3.4	5.2	10.1	8.4	32.0	59.3
Other	0.0	0.0	0.0	5.7	13.2	27.3
Payments	1,029.6	1,028.5	979.5	1,689.0	1,573.1	1,963.3
Compensation of employees	166.3	96.1	86.2	106.7	114.6	110.4
Investment income	863.3	932.4	893.3	1,582.7	1,457.4	1,851.7
Other	0.0	0.0	0.0	-0.5	1.0	1.2
Secondary income, net	149.7	174.1	212.1	179.5	323.5	240.7
Receipts	332.8	320.4	304.8	264.2	447.8	374.3
Payments	183.1	146.4	92.7	84.6	124.3	133.6
Capital account	135.6	115.7	90.8	77.7	91.9	160.8
Financial account	-1,503.8	-788.0	-811.9	-2,599.3	-2,091.0	-2,677.6
Direct investment	-230.7	-82.9	4,170.9	-1,445.7	-2,136.7	-2,316.4
Mongolia's direct investment abroad	107.1	11.4	14.5	48.6	37.0	127.0
Direct investment into Mongolia	337.8	94.3	-4,156.4	1,494.4	2,173.7	2,443.3
Portfolio investment	-270.0	-248.5	-487.1	-493.1	-60.8	-372.3
Assets	41.4	28.8	13.0	-26.6	46.6	14.8
Liabilities	311.3	277.3	500.0	466.6	107.4	387.1
Other investment	-1,002.0	-455.3	-4,533.8	-677.3	119.2	5.1
Assets	306.4	233.5	418.7	-348.7	-110.2	43.7
Currency and deposits	226.8	236.8	327.4	-346.2	-22.5	38.1
Loans	45.6	1.5	9.7	-3.8	-37.9	-12.3
Trade credit and advances	34.0	-4.9	81.7	1.3	-49.9	18.0
Liabilities	1,308.5	688.7	4,952.6	328.6	-229.4	38.6
Currency and deposits	471.2	454.1	123.5	142.7	-33.4	-52.0
Loans	750.8	349.0	4,968.1	222.3	-142.2	155.9

⁶ Legalinfo, *Parliament Resolution No. 45 on Approval of the Action Plan of the Government of Mongolia for 2016-20*, 9 September 2016. Viewed at: <https://www.legalinfo.mn/law/details/12120>.

⁷ Furthermore, in March 2017, the Ministry of Finance and the World Bank launched the Export Development Project, aimed at strengthening export capabilities of SMEs in non-minerals sectors.

⁸ Legalinfo, *Mongolian Export Program*. Viewed at: <https://www.legalinfo.mn/annex/details/8719?lawid=13692>.

	2014	2015	2016	2017	2018	2019
Trade credit and advances	38.4	-186.4	-139.0	-42.5	-53.8	-65.2
Other	48.0	72.0	0.0	6.0	0.0	0.0
Net errors and omissions	-176.1	-223.3	-221.2	-61.6	-117.8	-223.9
Overall balance	-471.1	-268.1	-18.2	1,459.9	-141.7	452.9

Source: Bank of Mongolia, *Balance of Payments*. Viewed at: https://www.mongolbank.mn/eng/liststatistic.aspx?id=4_1.

1.8. After continued fiscal deficit since 2014, the overall fiscal balance turned to surplus in 2018 and 2019, mainly reflecting strong mining revenue, policies including the Economic Recovery Program, and expenditure restraint. On 28 August 2020, a law amending the Medium-Term Budget Framework (General Budget of Mongolia 2020 Budget Framework Announcement) was adopted.⁹ The Government continues to strengthen the fiscal policy framework and promote fiscal consolidation under, *inter alia*, the Fiscal Stability Law, 2010, and three fiscal rules under the Law: (i) the expenditure rule, which sets a cap on the growth rate of total nominal expenditure; (ii) the structural fiscal balance rule, which sets out that the structural fiscal balance (the overall balance minus cyclical revenues on major minerals) must be equal to or stronger than a deficit of 2% of GDP; and (iii) the debt rule, which states that the present value of government debt should not exceed 40% of GDP after 2014. Parliament adjusted the debt ceiling to 69% of GDP in present value terms.

1.9. The Fiscal Stabilization Fund was established under the Fiscal Stability Law to create stability in the budget. It is financed in part by mining-related revenue. Additionally, in 2016, a sovereign wealth fund, the Future Heritage Fund, was established as a savings fund for the Government¹⁰; it is mainly financed by dividends on the public shares of mining-sector SOEs and a part of mineral royalty payments.

1.10. The main policy objective of the Bank of Mongolia is to ensure the stability of the tugrik (MNT), the national currency.¹¹ The Bank of Mongolia set a target to stabilize the inflation rate at around 8%. During the review period, monetary policy was tightened in January 2015. It was expansionary from January 2016 to mid-August 2016, when it was tightened. Another expansionary phase occurred from mid-December 2016 until mid-March 2018, and a tightening followed in November 2018. Monetary policy turned expansionary in 2020 by, *inter alia*, the reduction of the policy rate by 1 percentage point each on 11 March, 13 April, and 14 September; as a result, the policy rate came down from 11% at the beginning of 2020 to 8% as at 14 September 2020.¹² The Bank of Mongolia also adopted other monetary policy measures during the review period.¹³ Amendments to the Law

⁹ Legalinfo, *Law on General Budget of Mongolia 2020 Budget Framework Announcement, on Amendments to the Law on the 2021-22 Budget Draft*, 28 August 2020. Viewed at: <https://www.legalinfo.mn/additional/details/3850?lawid=14524>.

¹⁰ The Fund is allowed to finance the budget deficit until 2022.

¹¹ The Bank of Mongolia formulates and implements monetary policy by regulating money supply through changes in reserve money to achieve its main objective of currency stability. The Government is not empowered to interfere in monetary policy setting; the Bank of Mongolia presents its targets annually to Parliament in the State Monetary Policy Guidelines. The Bank of Mongolia formally reports to Parliament in accordance with Article 30 of the Central Bank Law.

¹² During the review period, the policy rate was: (i) increased by 1 percentage point to 13% on 15 January 2015; (ii) reduced by 1 percentage point to 12% on 14 January 2016; (iii) reduced by 1.5 percentage points to 10.5% on 6 May 2016; (iv) increased by 4.5 percentage points to 15% on 18 August 2016; (v) reduced by 1 percentage point to 14% on 20 December 2016; (vi) reduced by 2 percentage points to 12% on 16 June 2017; (vii) reduced by 1 percentage point to 11% on 25 December 2017; (viii) reduced by 1 percentage point to 10% on 26 March 2018; and (ix) increased by 1 percentage point to 11% on 27 November 2018.

¹³ These measures included: (i) on 26 March 2018, the reserve requirements on domestic and foreign currency liabilities were set at 10.5% and 12%, respectively; (ii) on 15 June 2018, the Bank of Mongolia set a ceiling on the debt-to-income ratio for personal consumption credits at 70%; (iii) on 20 December 2019, the reserve requirement on banks' liabilities in foreign currency was raised by 3 percentage points to 15%; (iv) on 1 April 2019, the upper limit on the debt-service-to-income ratio on newly issued and term-changed consumer loans, excluding pension loans, was revised to 60%; (v) on 11 March 2020, the Bank of Mongolia lowered the reserve requirement on banks' liabilities in tugrik by 2 percentage points to 8.5%, and changed the range of the interest rate corridor to be +1, -1 percentage points from the policy rate; (vi) on 13 April 2020, the maturity limit on consumer loans was extended up to 12 months for lenders experiencing difficulties repaying their loans; (vii) on 26 June 2020, remuneration on tugrik reserve requirements issued to banks was reduced by the amount corresponding to the ratio of foreign currency-denominated (FX) deposits with relatively higher rates and FX current accounts charging any rate to total FX deposits and current accounts, and the Bank of

on the Bank of Mongolia were approved by Parliament, and entered into force on 1 April 2018. In accordance with the amendments, Parliament appointed the Monetary Policy Committee as the official monetary policy decision-making body, which relies on a collective decision-making framework; monetary policy decisions by the Committee are made after meetings held in two phases. The Financial Stability Council, consisting of the Minister of Finance, the Governor of the Bank of Mongolia, and the Commissioner of the Financial Regulatory Commission, continues to aim at improving inter-government cooperation.

1.11. Mongolia uses a floating exchange rate system. The authorities stated that the Bank of Mongolia intervenes through auctioning in the foreign exchange market with a view to soothing volatility.¹⁴ Mongolia's international reserves amounted to about USD 4.4 billion in 2019 (up from USD 1.3 billion in 2016).

1.2 Trade Performance

1.2.1 Composition of trade

1.12. Mongolia's exports remain heavily concentrated in a few items; in 2019, 84% of exports were related to mining, with coal and copper representing 40.3% and 23.6% of total exports, respectively (Table A1.1 and Chart 1.1). In the same year, machinery and electrical equipment, transport equipment, and mineral fuels were the main import items; the share of transport equipment increased between 2013 and 2019 (Table A1.2).

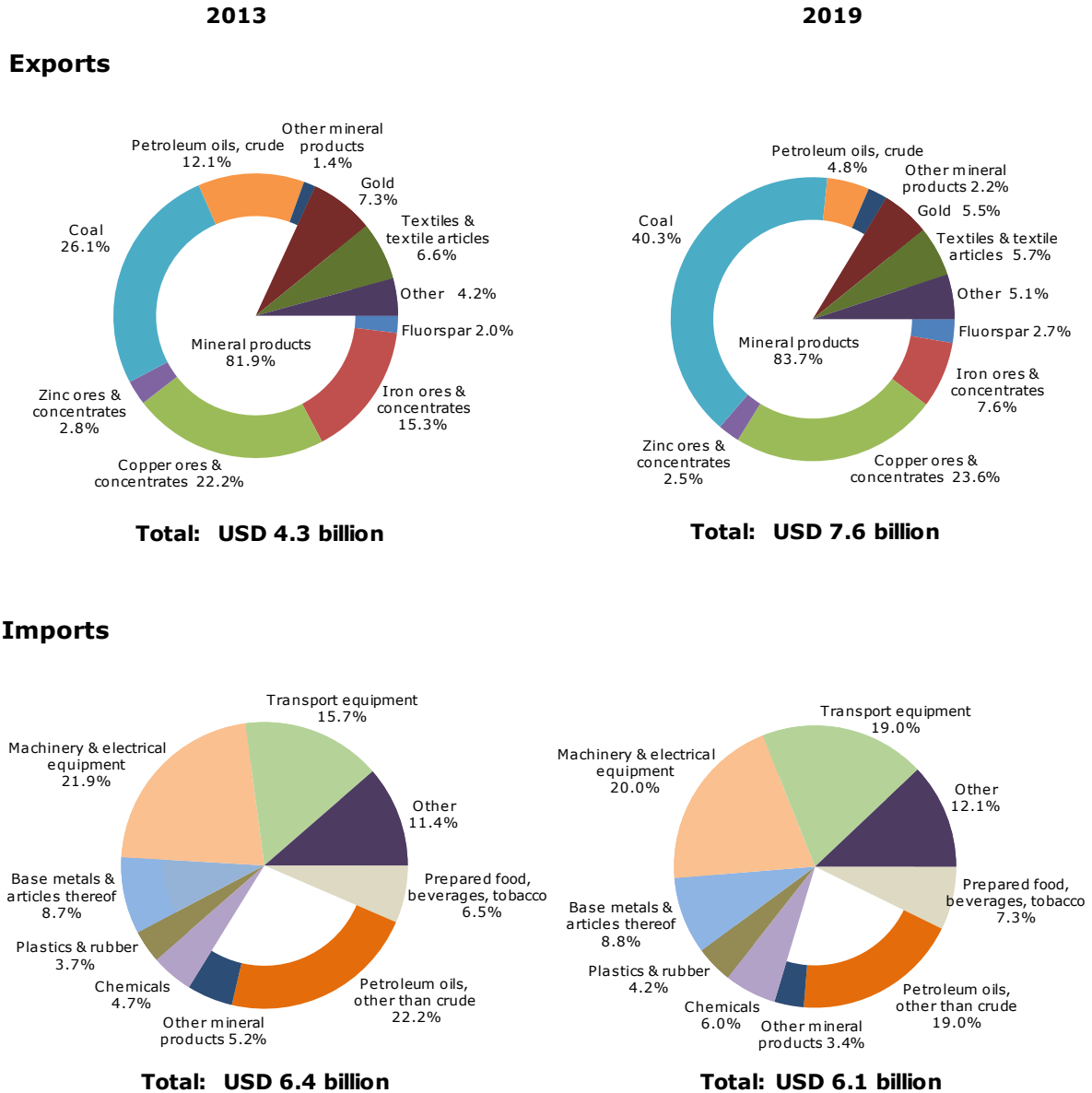
1.2.2 Direction of trade

1.13. Between 2013 and 2019, China's share in Mongolia's exports increased to almost 89% (Table A1.3 and Chart 1.2). During the same period, the shares in Mongolia's imports of China, Japan, and the Russian Federation increased, while the shares of the European Union, the Republic of Korea, and the United States declined (Table A1.4 and Chart 1.2).

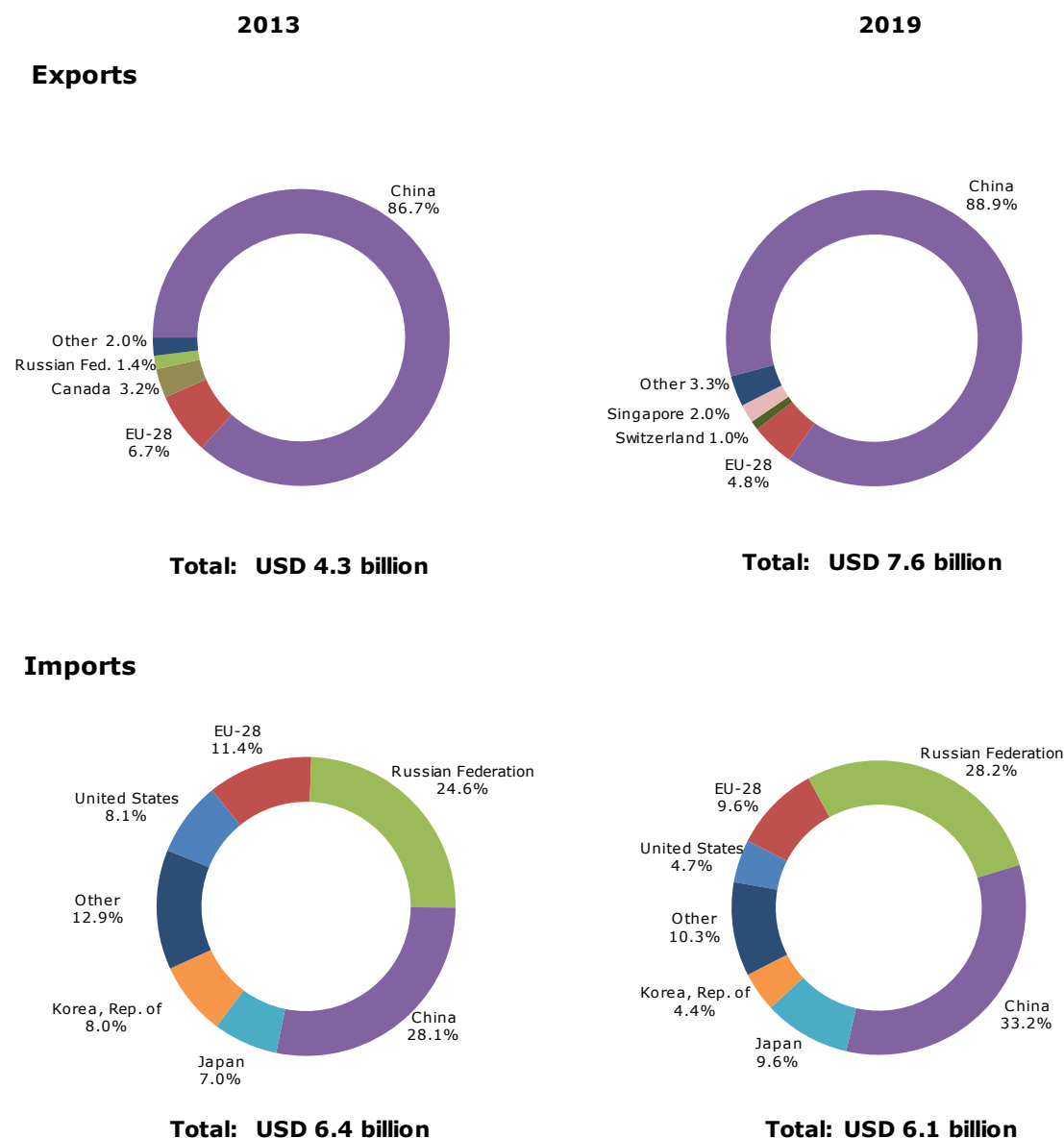
Mongolia promoted financial stability in the banking system by discouraging bank deposit dollarization and maintaining relative returns on the domestic currency; (viii) on 7 August 2020, the Bank of Mongolia decided to prolong the implementation of restructuring and to extend the maturity on consumer loans to 31 December 2020 for borrowers experiencing difficulties repaying their loans due to the current economic circumstances; and (ix) on 14 September 2020, the Bank of Mongolia decided to introduce long-term repo financing instruments.

¹⁴ According to Article 5 of the Law on Currency Settlements, volatility higher than 5% must be "brought to the attention of the Prime Minister". For a detailed record of the Bank of Mongolia's intervention through auctioning, see: <http://www.mongolbank.mn/eng/dblistforexauction.aspx>.

Chart 1.1 Product composition of merchandise trade, by main HS group, 2013 and 2019



Source: WTO calculations, based on the UN Comtrade Database, and on data provided by the authorities.

Chart 1.2 Direction of merchandise trade, 2013 and 2019

Source: WTO calculations, based on the UN Comtrade Database, and on data provided by the authorities.

1.3 Trade in Services

1.14. During the review period, Mongolia's main services exports were travel, transportation, and other business services (Table 1.4). Its main services imports were transportation, travel, and other business services.

Table 1.4 Trade in services, 2014-19

	2014	2015	2016	2017	2018	2019
Total credit (USD million)	607.0	688.8	800.9	966.3	1,111.6	1,232.7
	(% of total credit)					
Manufacturing services on physical inputs owned by others	0.7	0.9	0.7	0.6	0.4	0.3
Transportation	33.7	34.6	31.9	33.1	31.9	31.6
Passenger	6.8	4.8	7.9	6.8	5.9	7.4
Freight	13.3	16.2	12.7	13.6	13.5	13.9
Other	13.5	13.6	11.4	12.8	12.5	10.2

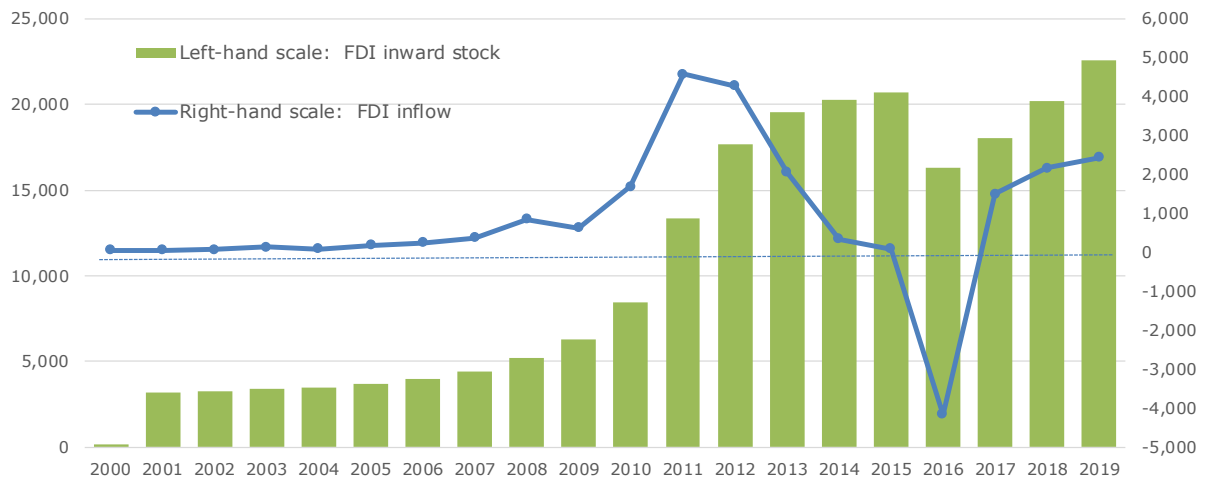
	2014	2015	2016	2017	2018	2019
Travel	35.4	35.7	39.5	40.9	40.1	41.6
Business	1.0	0.8	3.3	3.7	4.0	4.0
Personal	34.4	34.8	36.2	37.2	36.1	37.6
Construction	3.2	4.9	3.4	2.3	3.8	3.1
Financial	0.6	1.0	2.0	2.6	0.7	0.4
Charges for the use of intellectual property, n.i.e.	0.4	0.3	0.2	0.1	0.1	0.1
Telecommunication and computer	2.2	1.8	2.3	2.6	4.2	4.1
Other business	23.3	20.2	19.4	17.1	18.3	18.3
Research and development	0.0	0.0	0.0	0.1	0.7	0.3
Professional and management consulting	5.1	3.7	4.5	3.9	3.5	4.3
Technical, trade-related, and other	18.2	16.5	15.0	13.1	14.1	13.7
Personal, cultural, and recreational	0.1	0.1	0.2	0.3	0.3	0.1
Government goods and services n.i.e.	0.5	0.4	0.4	0.3	0.3	0.3
Total debit (USD million)	1,896.2	1,404.3	2,139.2	2,182.4	3,089.9	3,224.4
	(% of total debit)					
Manufacturing services on physical inputs owned by others	0.0	0.0	0.3	0.9	0.4	0.2
Maintenance and repair services, n.i.e.	1.9	0.2	0.0	0.0	0.0	0.0
Transportation	20.8	24.5	20.2	27.7	29.6	30.5
Passenger	3.0	3.7	2.5	3.9	3.3	3.4
Freight	13.3	15.9	14.8	21.5	24.1	25.4
Other	4.5	4.9	2.9	2.3	2.2	1.6
Travel	24.9	30.0	22.6	24.4	27.8	28.7
Business	0.4	0.8	0.6	1.1	0.3	0.2
Personal	24.5	29.3	22.0	23.3	27.6	28.4
Construction	5.8	8.1	7.7	11.0	6.7	4.5
Insurance and pension	0.6	1.7	0.7	0.9	0.7	0.7
Financial	5.4	4.2	10.3	2.3	4.2	6.6
Charges for the use of intellectual property, n.i.e.	0.7	1.1	1.2	0.7	0.5	0.8
Telecommunication and computer	6.1	6.0	4.1	3.4	3.6	3.3
Other business	32.3	22.3	32.0	27.5	25.7	23.9
Research and development	0.0	0.0	0.0	0.0	0.1	0.1
Professional and management consulting	20.8	11.9	11.9	8.3	7.5	9.7
Technical, trade-related, and other	11.6	10.5	20.1	19.1	18.1	14.1
Personal, cultural, and recreational	0.1	0.3	0.1	0.0	0.1	0.0
Government goods and services n.i.e.	1.3	1.5	1.0	1.1	0.7	0.8

Source: Bank of Mongolia. Viewed at: https://www.mongolbank.mn/eng/liststatistic.aspx?id=4_1.

1.4 Foreign Direct Investment

1.15. According to the United Nations Conference on Trade and Development (UNCTAD), inflows of FDI increased between 2017 and 2019, after a sharp decline in 2016 (Chart 1.3). According to data provided by the authorities, based on registration, Mongolia's FDI stock amounted to USD 22.6 billion in 2019, compared with USD 20.2 billion in 2014 (Table A1.5). During the review period, FDI was mainly in mining and quarrying (Table A1.6).

Chart 1.3 FDI inflows and stocks, 2000-19



Source: UNCTAD, *World Investment Report 2020*.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. Under the 1992 Constitution, which was amended in 1999, 2001, and 2019, Mongolia is a parliamentary democracy with legislative authority vested in a unicameral parliament, the State Great Hural (Parliament). Parliament, with the President's approval, is responsible for appointing the Prime Minister and the ministers that compose the executive arm of government (Table 2.1). Members of Parliament are elected for a four-year fixed term. The last parliamentary elections took place in June 2020.

Table 2.1 Government ministries and selected agencies, September 2020

Prime Minister, Deputy Premier, and Cabinet Office	
Prime Minister	General Intelligence Agency State Special Security Department State Committee for Physical Culture and Sports Government Agency for Policy Coordination on State Property
Deputy Premier	State Professional Inspection Agency National Emergency Management Agency Authority for Fair Competition and Consumer Protection Agency for Standardization and Metrology Procurement Policy Department
Cabinet Office of the Government	Communications and Information Technology Authority National Development Agency
Environment and Tourism	National Agency for Meteorology and Environmental Monitoring Water Authority
Minister of Defence	General Staff of the Mongolian Armed Forces
Foreign Affairs	
Finance	Customs General Administration General Department of Taxation
Justice and Internal Affairs	General Police Department General Authority for Border Protection General Authority for State Registration General Archival Authority General Executive Agency for Court Decisions Immigration Agency Intellectual Property Office
Labour and Social Protection	Social Insurance General Office General Agency for Labour and Social Services General Agency for Development of Persons with Disabilities Family, Child and Youth Development Agency
Construction and Urban Development	Administration of Land Affairs, Geodesy and Cartography
Education and Science	
Roads and Transport Development (MRTD)	Civil Aviation Authority
Culture	Department of Arts and Culture
Mining and Heavy Industry (MMHI)	Mineral Resources and Petroleum Authority National Geological Agency
Food, Agriculture and Light Industry (MOFALI)	General Authority for Veterinary Services Department of Small and Medium Enterprises
Energy	
Health	General Authority for Health Insurance Department for Control and Regulation of Medicines and Medical Devices (added by Government Resolution No. 22, 28 August 2020, and shall come into force on 1 January 2021)

Source: Information provided by the authorities; and Government of Mongolia, *State Institutions*. Viewed at: <https://www.legalinfo.mn/annex/details/11115?lawid=15488>.

2.2. The latest amendments to the Constitution were adopted by Parliament and promulgated by the President in November 2019, after an extensive consultative process initiated in 2017 and involving the ruling party, the main opposition party, the President, the Prime Minister, constitutional experts, and the general public, through a "deliberative council" composed of citizens chosen at random. The amendments aim to fine-tune the balance of power between the different institutions and to strengthen stability and governance.

2.3. These amendments address several different issues. First, they change the majority required for the dismissal of the Prime Minister from a simple majority to an absolute majority, and institute an obligation to appoint a new Prime Minister within 30 days, failing which the President is obliged to dissolve Parliament. If the Prime Minister submits a draft resolution requesting a vote of confidence on issues relating to the state budget or policy, Parliament must discuss it within three days, and adopt a resolution within 10 days by a majority of its members. If the resolution is rejected, the Prime Minister is considered to be dismissed, and Parliament must appoint a new Prime Minister within 30 days, failing which the President is obliged to dissolve Parliament. These provisions aim to tackle governmental instability.

2.4. The amendments prohibit Parliament from increasing the expenditures and losses in the state budget submitted by the Government. The amendments require that only the Prime Minister and not more than four Cabinet ministers can remain parliamentarians. In addition, the decision of the Prime Minister to appoint/dismiss Cabinet members may not be blocked by either the President or Parliament. The amendments also aim to strengthen the check on the executive branch by establishing a constitutional body (state audit organization) that independently exercises control over state finances and budget. Moreover, Parliament is required to ensure that *ad hoc* inquiry committees, to be established with the support of not less than one quarter of all members, include minority representatives. The powers of the state audit organization and the *ad hoc* inquiry committee are defined in the Revised Law on State Audit and the Law on State Great Hural, which were adopted on 1 May 2020 and 7 May 2020, respectively.

2.5. Other amendments aim to improve the legislative process and accountability of Parliament. The scope and restrictions on the right to legislative initiative, which the President, parliamentarians, and the Cabinet exercise, would be detailed in law. This law has not yet been adopted, and is expected to be discussed soon by Parliament. Unless specified in the Constitution, the final enactment of laws requires absolute majority support, instead of a simple majority as is currently the case. Moreover, although members of Parliament normally make decisions through open ballot, a secret ballot is allowed, as provided in the Constitution and other laws, and when supported by a majority present at the session. The amendments prohibit the adoption or amendment of election laws within one year of a regular election.

2.6. The President is the head of state, and has the right to veto laws and resolutions of Parliament, which can overturn the veto with a two-thirds majority vote. The 2019 amendments stipulate that the President can serve only a single six-year term, instead of the previous renewable four-year term. Accordingly, the President lost certain statutory powers, such as nominating the head of the Anti-Corruption Agency and one of three members of the National Human Rights Commission, and appointing the chief judges of courts, except the chief justice of the Supreme Court, and all the members and heads of the Judicial General Council and the Judicial Disciplinary (Ethics) Committee. Other constitutional amendments concern the judicial system (Section 2.2).

2.7. Mongolia is divided administratively into aimags (provinces) and the capital city (Ulaanbaatar). Aimags are subdivided into soums (districts at the provincial level), which are further divided into baghs (villages, or sub-districts at the provincial level); the capital city is divided into districts and huroos (sub-districts).

2.8. The 2019 constitutional amendments also touch on local administrative organization. First, Parliament is allowed to delegate functions of the administrative divisions to the cities or towns, and to change the administrative divisions on the basis of proposals from local citizens. Second, in order to encourage local economic development, the amendments allow the local councils (the Hurals of Citizen Representatives) in aimags, the capital city, baghs, and soums to fix the amount of taxes, and to manage ownership within the limits defined by law. Third, the presidiums of local councils, which currently exercise most of the powers of the local councils during the interval between their sessions, were eliminated, so that the local councils can fully exercise their respective powers.

2.9. Finally, the amendments clarify the purpose and principles of the use of natural resources, a key political question in mineral-resource-rich Mongolia. Natural resources are defined as the *public* property of the State, rather than the property of the State, which emphasizes that the policies on natural resources should be defined by Parliament, the representatives of the people, to benefit the public interest. According to the amendments, state policy on the use of natural resources is based on the consideration of long-term development, safeguarding for both present and future

generations the right to a healthy and safe environment, and delivering the benefits of natural resources in an equal and just manner through the National Resources Fund, which was incorporated in the Constitution. The law will regulate the basis on which to allocate to the people a major part of the social and economic benefits from strategic mineral deposits. In order to safeguard their right to a healthy and safe environment, citizens are entitled to be informed of the effects of using natural resources.

2.10. The 2019 constitutional amendments also include three important changes related to the judiciary.

2.11. First, the amendments fix the membership of the Judiciary General Council at 10, with a non-renewable four-year term. The Council selects Supreme Court judicial candidates and presents them to Parliament. These candidates are then appointed by the President. The Council also proposes judges of other courts to the President for appointment. Five of the 10 members are directly elected from judges, and the other five are appointed through open nomination. In addition, the chairperson of the Council is elected by its members, instead of appointed by the President. Reports on the Council's activities related to judicial independence are submitted to the Supreme Court.

2.12. Second, the amendments establish a new constitutional body, the Judicial Disciplinary Committee, which decides on the suspension or removal of judges and the imposition of other disciplinary sanctions. The composition and the term of the Committee are regulated by a future law soon to be discussed by Parliament

2.13. Third, the amendments also allow Parliament to establish courts with jurisdictions over several aimags and soums, which allows the even distribution of caseloads, the easy creation of specialized courts, and improved access to courts.

2.2 Trade Policy Formulation and Objectives

2.14. Mongolia maintains an open foreign trade regime. Due to its landlocked geographic condition, Mongolia attaches great significance to trade-facilitation issues, including transit transportation and border cooperation with neighbouring countries, and streamlining and simplifying procedures and regulations at the border. Various trade-related national programmes are in place, including the Action Plan of the Government for 2016-20, issued in 2016; the Mongolia Sustainable Development Vision, 2030, issued in 2016; and the Mongolian Export Program, issued in 2018, and the Action Plan of the Government for 2020-24, issued in 2018.

2.15. The Ministry of Foreign Affairs is responsible for developing and monitoring the overall implementation of foreign trade policy. Several other government ministries and agencies are also responsible for aspects of trade policy.

2.16. The Ministry of Food, Agriculture and Light Industry (MOFALI) is responsible for, *inter alia*, formulating and implementing agricultural policy and issuing import and export licences for agricultural goods.

2.17. The Minister of Finance chairs the Customs Tariff Council, which is responsible for developing customs and tariff policy, and making proposals to the Government regarding the adoption of tariff rates, and the imposition of additional duties. The Customs General Administration of Mongolia (Mongolian Customs), established under the Ministry of Finance, is responsible for enforcing the customs legislation, levying and collecting customs duties and other taxes, and preparing and submitting customs statistical data to the National Statistical Office.

2.18. The Mongolian Agency for Standardization and Metrology (MASM) is responsible for, *inter alia*, policy, coordinating and managing metrology, and standardization.

2.19. The General Agency for Specialized Inspection (GASI) is responsible for, *inter alia*, the inspection of imported and exported foods and products of plant or animal origin, and for ensuring their compliance with standards; enforcement of laws and regulations related to trade, industry, services, geology, and mining; and supervising compliance with standards.

2.20. The Mongolian Intellectual Property Office, an implementing agency under the Ministry of Justice and Internal Affairs, is in charge of all trade-related aspects of intellectual property, including copyright, patents, and trademarks.

2.21. Other ministries that participate in trade policy formulation and implementation include Environment and Tourism (MET), Roads and Transport Development (MRTD), Mining and Heavy Industry (MMHI), Energy, and Justice and Internal Affairs (for the drafting of laws and regulations, and trade-related aspects of intellectual property).

2.22. The Mongolian National Chamber of Commerce and Industry (MNCCI) provides a number of trade support services, including issuing certificates of origin; arbitrating foreign trade and investment disputes; providing export-market research and intelligence; organizing trade fairs, exhibitions, and business missions; and developing projects. Several other business associations, including the Mongolian National Mining Association, the Mongolian Exporters Association, the Mongolian Wool and Cashmere Association, and the Mongolian Meat Association, collect and share information, identify and discuss trade policy issues affecting their industries, and represent their sectors in discussions with the Government.

2.23. The main change to the institutional framework is the creation in 2019 of the Export Promotion Council (Section 3.2.4).

2.2.1 Trade-related law

2.24. As is the case in most countries, the trade and trade-related legislative framework is found in multiple statutes (**Error! Reference source not found..2**). In nearly all cases, international agreements have precedence over national laws, to the extent that there is no conflict with the Constitution. Under the Civil Code, the terms of international treaties may be used in the courts.

Table 2.2 Main trade-related laws

Legislation	Year	Last amended	Description
Customs procedures			
Customs Law	2008	2020	Regulates issues related to the organizational structure of Mongolian Customs and its legal basis, defines the procedures for customs control and clearance, and enforces customs legislation
Tariffs and other duties			
Customs Tariff Law	2008	2019	Regulates matters relating to the creation of the tariff system, principles for the adoption of customs duty rates, valuation, and rules for levying and collecting customs duties
Excise Tax Law	2006	2017	Imposes excise taxes on certain imported and domestic goods, and governs the payment thereof to the budget
Law Determining the Amount of Export Customs Duty to Be Imposed on Certain Commodities	1996	2016	Imposes specific export customs duties on a number of commodities
Law on Free Zones	2015	2019	Regulates the establishment of free zones and their form, powers of governing bodies, and monitoring mechanisms; determines the legal basis for and the realization of special tax and custom conditions
Law on the Legal Status of the "Altanbulag" Free Trade Zone	2002	2015	Determines the legal status of the Altanbulag zone, and regulates issues related to its implementation
Investment and concessions			
Law on Investment	2013	2016	Sets out the legal basis for domestic and foreign investment, and provides for tax-stabilization certificates
Concessions Law	2010	2017	Provides the legal basis for public-private partnerships and their regulation
Intellectual property			
Copyright Law	2006	2017	Regulates the protection of copyright and use of works subject to copyright
Patent Law	2006	2016	Regulates the protection of owners of inventions, industrial designs, innovations, and patents; and the use of inventions, industrial designs, and innovations

Legislation	Year	Last amended	Description
Law on Trade Marks and Geographical Indications	2010	2015	Ensures legal guarantees for trademarks and trade names, protects the rights and legal interests of owners, and regulates issues concerning the ownership, use, and disposal of trademarks and trade names
Competition policy			
Competition Law	2010	2019	Establishes conditions for fair competition on the market by corporate entities, prevents and prohibits activities of monopolization or hostility to competition, and defines the legal basis for the institution regulating competition
Government procurement			
Law on Government Procurement	2005	2020	Regulates the preparation of bidding documents, advertisements, the opening and evaluation of tenders, and the award of contracts for public procurement of goods, works, and services; and regulates the composition and organization of the Tender Committee, and controls its activities
Company law and licensing			
Company Law	2011	2020	Regulates the establishment, registration, and reorganization of a company, its management and organizational structure, the rights and obligations of its shareholders, and its liquidation
Law on Licensing	2001	2020	Regulates giving, delaying, and invalidating a licence to business activities that might negatively affect the public interest, human well-being, the environment, and national security, and that might require specific conditions and expertise
Minerals and energy			
Energy Law	2001	2017	Regulates energy generation, transmission, distribution, dispatching and supply activities, construction of energy facilities, and energy consumption that involve utilization of energy resources
Renewable Energy Law	2007	2019	Regulates the generation of power using renewable energy sources and its delivery
Minerals Law	2006	2019	Regulates exploration, mining, and related activities
Petroleum Law	2014	2020	Regulates the exploration for, and the protection, processing, transportation, storage, and marketing of, petroleum
Government Resolution No. 46 on Approving the Model of the Stability Agreement	2002		Regulates issues connected with ensuring stable tax conditions during a certain period for business entities with foreign investments engaged in exploration of mineral resources deposits
Nuclear Energy Law	2009	2016	Regulates the exploration for, and mining of, uranium
Finance			
Banking Law	2010	2020	Regulates the licensing of banks; revocation of licences; establishment of general principles of a bank's management, organization, and activities; and enforcement measures
Law on Central Bank	1996	2019	Establishes the legal grounds of the powers of the Bank of Mongolia, its management, organization, and activities; and regulates issues concerning the implementation of state monetary policy undertaken by the Bank of Mongolia
Law on Currency Settlements	1994	2017	Defines the powers of the government bodies in charge of currency settlement; regulates exchange controls for currency circulation by business entities, organizations, and citizens; and establishes mechanisms to sustain the currency exchange rate
Law on Deposits, Loans and Banking Transactions	1995	2020	Regulates matters concerning the deposit of funds with banks by citizens and legal persons, the carrying-out of transactions through the agency of banks and operations, and the granting and repayment of bank loans
Law on Non-bank Financial Activities	2002	2017	Establishes legal foundations for non-bank financial activities, and regulates issues of management, organization, licensing, and suspension or revocation of licences of entities conducting non-bank financial activities
Law on Combating Money Laundering and Terrorism Financing	2013	2020	Establishes the legal basis for regulations to prevent money laundering and the financing of terrorism
Law on Bills	1995	2020	Regulates relations between citizens and business entities concerning the use of bills of exchange and promissory notes as a means of payment

Legislation	Year	Last amended	Description
Law on Insurance	2004	2017	Defines the legal framework for conducting insurance activities; regulates relations between insurance companies, citizens, and legal entities; and creates principles for state auditing of insurance activities
Securities Law	2013	2018	Regulates the issue of securities for accumulating capital, the buying and selling of securities, depository arrangements, and clearing and settlement services; and regulates issuers and other persons involved in the securities market and the protection of investors
Telecommunications			
Law on Telecommunications	2001	2019	Regulates relations among state organizations, service providers, business entities, and individuals engaged in telecommunications and the creation, utilization, and protection of the telecommunications network and telecommunications services
Law on Radio Frequency	1999	2015	Regulates relations among state organizations, service providers, business entities, and individuals engaged in using radio frequencies
Postal Law	2003	2019	Regulates relations among state organizations, service providers, business entities, and individuals engaged in postal services and the creation, utilization, and protection of the postal network and postal services
Law on Electronic Signature	2011	2018	Regulates relations among state organizations, service providers, business entities, and individuals engaged in postal services and the creation and utilization of electronic signatures
Tourism			
Tourism Law	2000	2017	Regulates relations between the State, citizens, economic entities, and organizations with regard to tourism promotion, engagement in tourism activities, and provision of tourism services

Source: Information provided by the authorities.

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.25. Mongolia has been a WTO Member since 1997, and participated in negotiations and the regular work of the WTO committees during the review period. It ratified the WTO Trade Facilitation Agreement (TFA) on 28 November 2016, and took steps to join the WTO Agreement on Trade in Civil Aircraft. In October 2018, it passed domestic legislation in this respect.¹ Mongolia obtained Observer status in the WTO Committee on the Agreement on Government Procurement (GPA) on 23 February 1999 with a view to initiating negotiations for membership as per its Protocol of Accession to the WTO; there have been no further initiatives since then, and Mongolia has not yet applied for accession to the GPA.²

2.26. The WTO TFA is an issue of national importance to Mongolia. As a landlocked country between two major economies, the issue of trade facilitation and, in particular, transit and border cooperation with neighbouring countries are of the utmost importance. Mongolia has already embarked on a process of streamlining and simplifying procedures and regulations at the border, and it is implementing its category commitments (Section 3.1.1.1). During the negotiating phase of the TFA, Mongolia participated by jointly making a number of proposals and communications, mainly on international standards, publication and availability of information, simplification of trade documents, and transit issues.

2.27. Mongolia has never been involved in the WTO dispute settlement process as a complainant, respondent, or third party.

¹ Legalinfo, *Law on Joining the Agreement*, 12 October 2018. Viewed at: <https://www.legalinfo.mn/law/details/13691?lawid=13691>.

² WTO document GPA/S/1, 21/02/2020.

2.28. Table A2.1 provides an overview of notifications submitted during the review period. These were mainly with respect to technical barriers to trade, rules of origin, free trade agreements (FTAs), and agriculture. Notifications remain outstanding in a number of areas, such as agriculture, customs valuation, quantitative restrictions, and import licensing.

2.3.2 Regional and preferential agreements

2.29. Mongolia's Foreign Economic Relations Program Implementation Action Plan, 2015-20, has a number of ambitions in terms of pursuing bilateral and regional FTAs³, including conducting studies or investigating the possibility of concluding FTAs with several countries. According to the authorities, Mongolia seeks to join regional trade arrangements and sign FTAs with its main trading partners in order to create more favourable conditions for promoting foreign trade and increasing market access of its export products.

2.30. The Economic Partnership Agreement (EPA) with Japan, signed in 2015, is the only bilateral FTA Mongolia has concluded so far. It has also concluded negotiations with all participating countries of the Asia-Pacific Trade Agreement (APTA) and ratified the Agreement in December 2019. As at October 2020, the Agreement had not yet entered into force; however, it is expected to be in force on 1 January 2021. Furthermore, Mongolia concluded a joint feasibility study on a possible EPA with the Republic of Korea, and it is in the process of conducting a joint feasibility study for a potential FTA with China. It has sought to join the Asia-Pacific Economic Cooperation since its inception. Mongolia also proposed to launch a feasibility study for an FTA with the Eurasian Economic Union (EAEU).

2.31. The EPA between Japan and Mongolia entered into force on 7 June 2016, and was the first FTA entered into by Mongolia. The Agreement is comprehensive, and includes major sections on trade in goods, services, and investment. It also has provisions on e-commerce, competition, government procurement, improving the business climate, and dispute settlement.⁴ It is gradually being implemented, with the final implementation (last tariff reduction) to take place on 1 April 2036. It was notified to the WTO in 2016, pursuant to Article XXIV:7(a) of GATT 1994 and Article V:7(a) of GATS.⁵ Since the agreement's entry into force, imports into Mongolia from Japan have increased steadily, while exports from Mongolia to Japan have fluctuated and have not demonstrated any particular trend.

2.32. Mongolia's ratification of the APTA took place on 12 December 2019, and is expected to enter into force for Mongolia on 1 January 2021.⁶ According to the authorities, joining the APTA is important to trade, as about 90% of Mongolia's exports are to APTA members, and 30% of its imports come from them. As a member of the APTA, Mongolia will benefit from a 30% reduction of customs duties on over 10,000 items exported to the other six APTA members.⁷ The concessions Mongolia made to the APTA include tariff reductions on 366 HS 6-digit lines.⁸

2.33. Australia, Canada, the EAEU, the European Union, Japan, New Zealand, Norway, Switzerland, Turkey, and the United States provide preferential access to Mongolia under their Generalized System of Preferences (GSP) arrangements. Since 2006, Mongolia has been eligible for the GSP+ arrangement of the European Union.

2.3.3 Other agreements and arrangements

2.34. Mongolia maintains other agreements on trade and related matters with a number of countries (Table 2.3). Most of these are longstanding arrangements except for the US-Mongolia Agreement on Transparency in Matters Related to International Trade and Investment, which entered into force

³ Legalinfo, *Mongolia's Foreign Economic Relations Program*. Viewed at: <https://www.legalinfo.mn/annex/details/7042?lawid=11586>.

⁴ Ministry of Foreign Affairs of Japan, *Agreement between Japan and Mongolia for an Economic Partnership*. Viewed at: https://www.mofa.go.jp/a_o/c_m2/mn/page3e_000298.html.

⁵ WTO documents WT/REG373/N/1, 2/06/2016; and S/C/N/863, 2/06/2016.

⁶ Legalinfo, *Law on Ratification of the Agreement*, 12 December 2019. Viewed at: <https://www.legalinfo.mn/law/details/14818?lawid=14818>.

⁷ Parliament of Mongolia, *Minutes of the Plenary Session of the 2019 Autumn Session, Thursday, 12 December 2019*. Viewed at: <http://www.parliament.mn/files/88812>.

⁸ Or 383 tariff lines (2020 tariff schedule).

in March 2017.⁹ This Agreement addresses transparency in matters related to international trade, investment, and financial services.

Table 2.3 Bilateral trade-related agreements since accession to the WTO

Agreement	Date	Description
Trade Agreement between the Government of Mongolia and the Government of Viet Nam	13/12/1999	Accords most-favoured nation (MFN) treatment to trade, transportation, customs, and taxation; and provides for transit transportation through the territories of the parties, and for dispute settlement
Trade Agreement between the Government of Mongolia and the Government of Cuba	09/11/2001	Accords MFN treatment to exchange of goods and services; provides for the promotion of activities related to fairs, exhibitions, and other trade activities; recognizes that sanitary and phytosanitary requirements do not necessarily create barriers to trade; establishes an intergovernmental commission; and sets non-discriminatory principles with regard to trade between the two countries
Agreement between the Government of Mongolia and the Government of the United States concerning the Development of Trade and Investment Relations/Trade and Investment Framework Agreement	15/07/2004	Established the Joint Trade and Investment Council; and provides for further development of trade and investment relations
Agreement on Economic Cooperation between Mongolia and Hungary	2005	Within the framework of their respective laws and regulations, promotes the expansion and diversification of mutually advantageous economic cooperation in all fields relevant to economic development
Agreement on Transparency in Matters Related to International Trade and Investment between the United States of America and Mongolia	24/09/2013; entered into force 20/03/2017	Provides for transparency and the opportunity to comment and respond to questions on measures affecting trade in goods and services, and provisions to address bribery and corruption

Source: Information provided by the authorities.

2.4 Investment Regime

2.35. The Government considers foreign direct investment (FDI) an important contributor to the economic development of the country. In order to reach its objective to improve economic growth, the Government stated a number of goals with respect to foreign investment in its Action Program, 2016-20. These measures are to: (i) increase foreign and domestic investments; (ii) restore foreign investors' confidence; (iii) create a favourable legal environment to attract investment in the geology and mining sectors; (iv) provide policy support for foreign investments in the establishment of historical and specialized tourism centres and complexes; and (v) create favourable conditions for foreign investors in terms of policy, cooperation, and legal stability, improving the implementation of international treaties and national legislation related to their interests, and pursuing a consistent policy to attract foreign investors into infrastructure, mining, energy, agriculture, tourism, and other sectors.¹⁰

2.36. One recent observation from the Bank of Mongolia states the importance of FDI to the economy and to macroeconomic stability. FDI has had a positive effect on GDP, and has a spill-over effect into many sectors of the economy. However, FDI remains highly concentrated in one sector:

⁹ Office of the United States Trade Representative, *Agreement on Transparency in Matters Related to International Trade and Investment between the United States of America and Mongolia*. Viewed at: <https://ustr.gov/sites/default/files/US-Mongolia%20Transparency%20Agreement-English-Final-As%20Posted.pdf>.

¹⁰ Ministry of Foreign Affairs, *Action Program of the Government of Mongolia for 2016-20*. Viewed at: http://www.mfa.gov.mn/wp-content/uploads/2015/06/2016-2020_Gov_AP_Eng_Revised.pdf.

mining. It is also highly concentrated in terms of source, as it is very dependent on a few countries.¹¹ The Government is cognizant of this issue, and is currently working on a draft Investment Policy Statement of the Government of Mongolia, with the collaboration of government and private sector stakeholders. The draft plans to identify and define new non-mining sectors that have potential for attracting FDI, eliminate investment barriers, and promote efficient long-term FDI.

2.37. In cooperation with the International Finance Corporation of the World Bank Group, Mongolia developed and published the Investment Reform Map research report in 2018. The study is a comprehensive examination of the legal and economic environment for FDI in Mongolia. It proposes short-, medium-, and long-term government plans to improve the investment climate. Initial findings from interviews with the private sector and the Government indicate that sectors including downstream processing activities linked to mining, tourism and hospitality, leather and agriculture, and agribusiness have the potential and the opportunities in the medium term to attract FDI.¹²

2.38. In line with Section 2.1.7 of the Mongolia Sustainable Development Vision 2030, which was adopted in 2016, the Government plans to create a favourable business environment through improving services, developing transportation and logistics networks, simplifying the issuance of special licences, and digitalizing and improving tax payments. All of these aim to improve the business climate and attract investors.

2.39. Mongolia has an important framework of laws and policy infrastructure to support and promote investment (Box 2.1). To protect and promote FDI, the Government concluded Agreements on the Promotion and Mutual Protection of FDI (also referred to as bilateral investment treaties (BITs)) with 44 countries and Agreements on the Avoidance of Double Taxation with 29 countries, of which 25 have entered into force.¹³ Mongolia's membership in the Multilateral Investment Guarantee Agency Convention dates from 1998.¹⁴

Box 2.1 Investment framework, 2020

Investment Law, 2013
Seoul Convention on Establishing the Multilateral Investment Guarantee Agency
Washington Convention on the Settlement of Investment Disputes
Bilateral investment treaties (BITs)
Double taxation treaties
FTAs with Japan and the APTA that have investment provisions

Source: Information provided by the authorities.

2.40. Mongolia's main law on investment remains the Investment Law, 2013, which did not undergo significant revision.¹⁵ This Law has provisions for more equal treatment between domestic and foreign investors, a point that improved on the previous law, although a minimum threshold remains for foreign investors retaining more than a 25% share (Table 2.5). The Law also provides for tax and non-tax incentives for investors, and aims to provide stability through tax stabilization certificates that set out these special tax provisions, the term being determined by the amount of the investment. The Law and an amendment in 2016 provide for an investment agreement to be entered into for investments of over MNT 500 billion.¹⁶ Special permissions are required if the

¹¹ *Foreign Direct Investment (FDI), and its Importance*, Doojav, G-O, Investment Climate: Stability Conference, Ulaanbaatar, 22 October 2019. Viewed at: https://www.mongolbank.mn/documents/press_conference/20191022_01e.pdf.

¹² World Bank Group, *Investment Reform Map for Mongolia: A Foundation for a New Investment Policy & Promotion Strategy*, June 2018. Viewed at: <https://www.ifc.org/wps/wcm/connect/8fbd4a65-c979-4cbc-858f-ca27677d30e7/Mongolia+Investment+Reform+Map+2018.pdf?MOD=AJPERES&CVID=mnSnUQT>.

¹³ Mongolian Tax Authority, *Double Taxation Agreement*. Viewed at: <https://en.mta.mn/c/view/12118>.

¹⁴ Legalinfo, *Ratification of the Convention*. Viewed at: <https://www.legalinfo.mn/law/details/10117?lawid=10117>.

¹⁵ Legalinfo, *Law About Investment*, 13 October 2013. Viewed at: <https://www.legalinfo.mn/law/details/9491>.

¹⁶ Procedures for concluding an investment agreement are at Legalinfo, *Resolution of the Government of Mongolia No. 52, Approval of Procedure*, 21 February 2014. Viewed at: <https://www.legalinfo.mn/law/details/9803>.

investor is a foreign state-owned enterprise (SOE) operating in certain sectors with at least a 33% share (Table 2.5).

2.41. Mongolia's FTA with Japan contains provisions on investment in Chapter 10 and Annexes 8-10, including measures such as MFN treatment, national treatment, prohibition of performance requirements, expropriation and compensation, non-conforming measures, and settlement of investment disputes. The annexes contain a list of 18 reservations that do not conform to treaty obligations, and an understanding on expropriation.

2.42. As part of its investment framework, Mongolia had 44 BITs in place as at the end of July 2020, most of which have been in place for many years (Table 2.4). During the review period, one new BIT with Canada entered into force in 2017. The Agreement between Mongolia and Canada on the Promotion and Reciprocal Protection of Investment is described as having more detailed provisions on dispute settlement and preconditions for filing a case for arbitration compared to earlier BITs signed by Mongolia. As part of its investment policy, Mongolia plans to establish new BITs and update existing ones in accordance with the goals and principles set forth in the model Agreement on Investment Promotion and Mutual Protection, which was approved by the Government in 2019.

Table 2.4 Bilateral investment treaties

Partner	Date	Entry into force
Austria	22/05/2001	01/05/2002
Belarus	28/05/2001	27/01/2002
Belgium-Luxembourg	06/03/1992	15/03/2000
Bulgaria	06/06/2000	^a
Canada	08/09/2016	27/02/2017
China	26/08/1991	11/01/1993
Croatia	08/08/2006	^a
Cuba	26/03/1999	18/10/2000
Czech Republic	13/02/1998	05/07/1999
Denmark	13/03/1995	11/08/1995
Egypt	27/04/2004	25/01/2005
Finland	15/05/2007	19/06/2008
France	08/11/1991	22/12/1993
Germany	26/06/1991	23/06/1996
Hungary	13/09/1994	29/08/1995
India	03/01/2001	29/04/2002
Indonesia	04/03/1997	30/10/1998
Israel	25/11/2003	02/09/2004
Italy	15/01/1993	11/08/1995
Japan	15/02/2001	24/03/2002
Kazakhstan	12/02/1994	22/03/1995
Korea, Democratic People's Republic of	10/11/2003	^a
Korea, Republic of	28/03/1991	30/04/1991
Kuwait, the State of	15/03/1998	01/05/2000
Kyrgyz Republic	04/12/1999	^a
Lao People's Democratic Republic	03/03/1994	29/12/1994
Lithuania	27/06/2003	03/05/2004
Malaysia	27/07/1995	14/01/1996
Netherlands	09/03/1995	20/01/1996
Philippines	01/09/2000	01/11/2001
Poland	08/11/1995	05/02/1996
Qatar	29/11/2007	^a
Romania	06/11/1995	15/08/1996
Russian Federation	29/11/1995	06/02/2006
Singapore	24/07/1995	14/12/1995
Sweden	20/10/2003	19/03/2004
Switzerland	29/01/1997	09/09/1999
Tajikistan	20/03/2009	16/09/2009
Turkey	16/03/1998	25/02/2000
Ukraine	05/11/1992	05/11/1992
United Arab Emirates	21/02/2001	^a
United Kingdom	04/10/1991	04/10/1991
United States	06/10/1994	01/04/1997
Viet Nam	17/04/2000	13/12/2001

^a Has not yet entered into force.

Source: Information provided by the authorities.

2.43. There were several developments in the Government's structure and support for investment during the review period. In 2016, the Government closed the Invest Mongolia Agency, which had promoted Mongolian investment opportunities and assisted foreign investors in a number of areas. Near the same time, the National Development Agency (NDA) was designated as the State's administrative body in charge of investment matters. It oversees investment support and approval processes, determines priority sectors, conducts activities to attract and promote investment, and is involved in policy development.¹⁷

2.44. In December 2016, the Investor Protection Council was established, with a responsibility for overseeing the legal rights and interests of investors investing in Mongolia.¹⁸ Its main functions are to improve the investment climate, help provide better investment protection, regain investor confidence, and improve the process of receiving, monitoring, resolving, and responding to investor complaints. The Council assessed administrative laws and regulations governing special licences that are allocated by the mining, infrastructure, and transport sectors, and annulled decrees that are inconsistent with the general administrative laws and respective regulations. The Systematic Investment Response Mechanism was set up at the NDA; it is an early warning and tracking mechanism to identify and resolve complaints that arise from government conduct. In 2018, one complaint was received, and it was transferred to the relevant government organization. In 2019, six complaints were received, one of which was transferred to the relevant government organization, three were determined to be unfounded, one was resolved, and one was in the process of being resolved. As at August 2020, three complaints had been received, with one resolved and two in the process of being resolved.

2.45. In 2017, the Public-Private Consultative Committee was established under the purview of the Investor Protection Council to provide an avenue for discussing investment-related draft legislation and policy documents with affected parties. A joint decision of the Committee is necessary before changes are made in policies or laws. During 2018-19, the Committee met 10 times to discuss a number of issues and receive members' opinions. The main elements taken up during these two years were the tax agent service legislative package, the draft law on SMEs, the Investment Reform Map research report, the draft law on the Agricultural Commodity Exchange and related fees, the draft law on permits, and issues related to the draft concept of the law on supporting national production and wealth creators.

2.46. In terms of policy developments, the Invest in Mongolia One-Stop Service Centre (OSSC), under the NDA, for foreign investors was established in February 2019 to facilitate the delivery of public services to investors, and to provide quick and easy access to foreign investors to satisfy their needs and increase confidence levels. The OSSC provides 62 types of public and private services, and has provided more than 40,000 services since its inception. Ensuring transparency of information on a wide range of government services and providing these services from a single location make it easier for investors, save time and money, and improve their satisfaction. In the future, within the framework of the World Bank Group's Smart Government project, the OSSC will be digitalized and an Electronic One-Stop Shop Service will be introduced. The system is expected to be commissioned in 2021.

2.47. A number of investment incentives, both tax and non-tax, are provided for in Mongolia's Law on Investment and in sector legislation. Tax incentives include exemptions, credits, acceleration of depreciation and its deduction from taxable income, and deduction of employee training expenses. Imported machinery and equipment is eligible for customs tariff relief, as well as zero-rated value-added tax (VAT), if used in certain designated sectors/areas, e.g. nano-bio and innovative technologies, construction materials, oil, agricultural processing, construction of power plants or railways, or for exported products.¹⁹ Non-tax incentives include land possession or lease periods; support for operations in industrial parks and free zones with preferential registration and inspection procedures; support for the implementation of infrastructure, including labour issues; support for

¹⁷ NDA. Viewed at: <http://nda.gov.mn/>.

¹⁸ It is under the purview of the NDA. Investor Protection Council. Viewed at: <https://ipc.gov.mn/>.

¹⁹ Individual incentives are specified in detail in the respective laws of the sectors.

the financing of innovation projects and issuance of guarantees for the financing of exported products; visas and permanent residency permits; and other support.²⁰

2.48. Since 2008, the Government has identified mining, information and technology, agricultural production, and tourism as priority sectors.²¹ More recently, the NDA, in cooperation with other ministries, has been working to develop a draft document identifying plans and strategies to increase the benefit of FDI and to attract it in particular sectors, including mining, processing, food, agriculture, light industry, energy, roads, transportation, logistics, tourism, and information technology.

2.49. Furthermore, Mongolia provides tax incentives depending on the size, industry, and location of the investment. For example, if an investor invests more than MNT 500 billion, an Investment Agreement may be concluded with the Government, providing for the stabilization of the tax environment, regulatory aspects, and financial support. An investor may obtain a certificate of stabilization that provides tax stabilization for four types of tax rates for 5 to 18 years, depending on the sector or region in which it invests. Since the Investment Law came into force in 2013, the NDA has issued 15 stabilization certificates, totalling MNT 4.2 trillion.

2.50. A number of restrictions to foreign investment remain (Table 2.5). Foreign investors are also prohibited from having licences for radio, television, and broadcasting services.²²

Table 2.5 Foreign investment restrictions, 2020

Restriction	Source
Land ownership by foreigners prohibited	Articles 5, 6, and 44 of the Land Law
Minimum investment of USD 100,000, or the tugrik equivalent, for investments with more than a 25% share in the enterprise	Article 3.1.5 of the Investment Law
Foreign SOE investment in the mining; banking and finance; or press, information, and communication sectors requires approval if the SOE owns 33% or more of the shares	Chapter 6 of the Investment Law
Savings and loans cooperatives are prohibited from foreign ownership or operation	Article 5 of the Law on Savings and Loans Cooperatives
Entity authorized to conduct an Environmental Impact Assessment	Article 8 of the Law on Environmental Impact Assessment
Ownership of explosive or blasting instruments manufacturer is limited to less than 49% of the shares	Article 11 of the Law on Controlling Movement of Explosive Substances and Blasting Instruments
Foreign entities are prohibited from harvesting and picking natural plants	Article 17 of the Law on Natural Plants

Source: As specified in the table.

²⁰ According to the Immigration Agency of Mongolia, in 2019, 996 new investors acquired visas and permanent residency permits in Mongolia, and 2,306 investors extended their visas and permanent residency permits.

²¹ Legalinfo, *Resolution No. 83 on List Approval of Priority Industry*, 5 March 2008. Viewed at: <https://www.legalinfo.mn/law/details/2643>.

²² Parliament of Mongolia, *2019 Autumn Regular Session of the Parliament of Mongolia*. Viewed at: <http://parliament.mn/n/88ko>.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. Customs import procedures are governed by two main laws: the Customs Law, 2008, which provides the overall framework; and the Law on Customs Tariffs and Customs Taxes, 2008, which covers the customs tariff, customs valuation, rules origin, and the payment and collection of customs duties.¹ Both of these Laws underwent many amendments during the review period. In 2017, a new draft Customs Law was proposed, but as at October 2020, it had not yet been approved. The main reason for replacing the existing Law is to align it with other newly revised laws.² Existing laws were changed to include provisions on the single window system, electronic data exchange, advance rulings, post-clearance audit, postal traffic, and inward and outward processing.

3.2. The Customs General Administration of Mongolia (Mongolian Customs) is the main government agency in charge of importation and exportation procedures, including customs clearance and post-clearance audit. In addition to the day-to-day operation of the border posts, Mongolian Customs has played a key role in multilateral and bilateral negotiations, such as the WTO Trade Facilitation Agreement (TFA) and the Mongolia-Japan Economic Partnership Agreement (EPA). It also operates the Central Customs Laboratory. Since 1993, Mongolian Customs has also concluded bilateral agreements on cooperation and mutual assistance in customs matters with 16 trading partners. Since December 2015, there has been a paperless exchange of customs information with the Russian Federation. In January 2016, Mongolian Customs was merged with the General Department of Taxation in order to ensure uniform application and implementation of customs and taxation laws and secure revenue collection.³ As at 2020, Mongolian Customs had 15 customs offices, 3 customs committees, and 12 customs branches. Mongolia maintains 42 customs border posts: 29 along the Mongolia-Russian Federation border and 13 along the Mongolia-Chinese border.

3.3. The main procedures for importation are preparing and providing customs documents for the declaration of goods, customs inspection of customs documents, inspection of the goods and means of transport, levying customs duties and other taxes and payments thereto, and granting permission and release of goods to cross the border.⁴ In 2008, Mongolia established a risk management system on imports with three categories: (i) simplified examination (category "Green"); (ii) document examination (category "Orange"); and (iii) physical inspection (category "Red").⁵ During the first seven months of 2020, 87% of imports and 24% of exports were physically inspected, and approximately 1% were subject to post-clearance audit. Mongolia has provisions for the use of customs brokers and customs warehouses.

3.4. Since 2010, the Customs Automated Information System (CAIS) continues to be used as the main system for the electronic clearance of goods. The main elements of the CAIS are its 24-hour online availability, its integrated database for use by the customs authorities, and its easy website access. In 2016, with the help of the Asian Development Bank (ADB), Mongolia embarked on a Customs Modernization Project and planned an entirely new CAIS.⁶ As at October 2020, a consulting company had been selected, business process re-engineering was underway, and certain programme

¹ Legalinfo, *Law of Mongolia about Customs*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/209?lawid=209>; and Legalinfo, *Law of Mongolia on Customs Tariffs and Customs Taxes*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/208>.

² These include the General Administrative Law of Mongolia, the Law on Borders, the Law on Infringement, the Law on Infringement Procedure, the Criminal Code, the Law on Criminal Procedure, the Law on Development Policy and Planning, the Law on Civil Service, and adopted bilateral and multilateral agreements, such as the WTO Trade Facilitation Agreement; the Framework Agreement between Mongolian, Russian Federation and Chinese Customs on Cooperation in the Field of Developing Border Crossing Points (2015); the Agreement between Mongolian, Russian and Chinese Customs on Mutual Recognition of Results of the Customs Control with Respect to Certain Types of Goods (2016); and Agreements on Mutual Recognition of the Authorized Economic Operator Programs (with China and the Republic of Korea in 2019).

³ Pursuant to the Law of 21 July 2016.

⁴ These are mainly performed electronically through the CAIS. Mongolia Chamber of Commerce, *Trade Policy*. Viewed at: <https://www.mongolchamber.mn/p/319>.

⁵ WTO document WT/REG373/2, 26 March 2018.

⁶ ADB, *Mongolia: Customs Modernization Project*. Viewed at: <https://www.adb.org/sites/default/files/evaluation-document/188956/files/pper-mon-customs.pdf>.

modules were being developed. As part of its commitments under the TFA, Mongolia has also been working towards implementing a single window application. The project has begun; a consulting company was selected and a business process study is underway.

3.5. Mongolia charges a number of fees in association with importation or exportation (Table 3.1). The fee is MNT 7,000 per declaration form, regardless of the value of the goods. If the goods declaration form is used, the same fee is charged for postal shipments and express shipments.

3.6. Chapter 5 of the Customs Law provides for appeal of a customs decision. A complaint by an importer is first filed with the Head of the Customs within 30 days of receiving the decision. Thereafter, it may be raised to a higher level in Mongolian Customs and, lastly, with the courts – either the civil or administrative court depending on the case. In 2019, there were 43 appeals to Mongolian Customs, and 19 to courts.

Table 3.1 Customs fees

Types of fees for services rendered	Fee (MNT)
Fees for customs clearance:	7,000
- per main declaration form	1,200
- per additional declaration form	
Fees for on-the-spot customs examination at temporary customs control zones, upon request (hourly fees are added to the fees for customs clearance):	4,000
- per hour during working hours	8,000
- per hour outside of working hours, on weekends or holidays	
Fees for customs clearance of goods of quantities over duty-free allowances carried by passengers and taxable international postal items addressed to individuals	1,200
Fees for customs clearance of goods transported by trucks:	3,000
- per cargo manifest (A1)	
Fees for storage of goods in the customs bonded warehouses (the operators are obliged to pay such fees in a fixed percentage of total value of the goods concerned)	0.1%
Cost of the customs declaration forms (the main form, the additional form, and the annex), as well as the cargo manifest form sold to the customs brokers:	1,200
- per set	
For export customs clearance of coal and mining sector mineral products:	1,500
- per tonne	
Cost of the customs seals for goods and means of transport crossing the customs border	1,000

Source: Mongolian Customs, *Service Fees*. Viewed at: <https://www.customs.gov.mn/en/duties/fee>.

3.1.1.1 Trade facilitation

3.7. On 24 November 2016, Mongolia passed a law ratifying the Protocol on amending the Marrakesh Protocol for the Trade Facilitation Agreement and, thereafter, notified its instrument of ratification to the WTO on 28 November 2016.⁷ Mongolia has been committed to implementing the TFA, and has taken many steps in this regard. It has notified its Category A, B, and C commitments (Table 3.2), adopted the National Trade Facilitation Roadmap, 2018-22, and adopted the National Committee on Trade Facilitation Strategic Action Plan. The National Trade Facilitation Committee, chaired by the Minister of Foreign Affairs, was established in May 2017 with the objective of facilitating both domestic cross-sector coordination and the implementation of the provisions of the TFA. Furthermore, since 2006, Mongolia has adhered to the Kyoto Convention on Simplification of Customs Procedures.⁸

3.8. Mongolian Customs plays a major role in the implementation of the TFA, as 98% of all provisions of Section I of the TFA are directly or indirectly connected to customs functions. The Roadmap envisages the implementation of many significant customs issues, for example, elimination of duplicate processes at the border by control agencies, expeditious and straightforward customs

⁷ Legalinfo, *Law on Joining the Protocol on Amendments to the Marrakesh Negotiations on the Establishment of the World Trade Organization*, 24 November 2016. Viewed at: <https://www.legalinfo.mn/law/details/12262>; and WTO TFA Facility, *Ratifications List*. Viewed at: <https://www.tfafacility.org/ratifications>.

⁸ Legalinfo, *Law of Mongolia on Customs Clearance Procedure for Simplification and Coordination*, 26 May 2006. Viewed at: <https://www.legalinfo.mn/law/details/9970?lawid=9970>.

clearance, and supply of electronic services. Most of these elements are in the process of being implemented.

3.9. According to the authorities, a number of elements have been implemented thus far, including risk management, electronic payment systems, the authorized economic operator (AEO) programme, customs cooperation, and e-clearance. Mongolian Customs implemented risk-based customs control in 2008, pursuant to a 2008 amendment to the Customs Law. In 2011, under the Mongolian Customs Modernization Project, one of the sub-modules (risk selectivity system) of the CAIS was developed and implemented. With this implementation, the number of physical inspections and documentary checks was reduced by about 48% since 2013.

3.10. Mongolian Customs conducted time release studies (TRSs) in 2010, 2012, 2014, 2017, and 2019. The most recent was in October 2019, with a provisional report issued and the final report expected in 2020. Several challenges arose, including summarizing the TRS findings, as there was a lack of necessary software. The AEO Programme has been in place since 2018 and, according to the authorities, the response from local industries has been positive. However, as at October 2020, there were no authorized AEO companies. Work was planned in 2020 for the evaluation and authorization of one or two companies. Mongolia signed mutual recognition agreements (MRAs) with the customs administrations of China and the Republic of Korea, with no plans to sign more at this time.

3.11. Pursuant to the TFA Roadmap, Mongolia was to have implemented six Category B and nine Category C commitments by 2020. According to the authorities, as at September 2020, six Category B commitments had been implemented.⁹ The final implementation of all category commitments is scheduled for 2025. As at September 2020, Mongolia was planning to start monitoring implementation.

3.12. Mongolia has provisions for advance rulings for classification, but not on origin or any other matters.

Table 3.2 Overview of TFA category commitments notified

Category A	Category B	Category C
1.4 Notification	1.3 Enquiry points	1.1 Publication
2.2 Consultations	2.1 Opportunity to Comment and Information Before Entry into Force	1.2 Information Available through Internet
4. Procedures for Appeal or Review	5.1 Notification for Enhanced Controls or Inspections	3. Advance Rulings
5.2 Detention	5.3 Test Procedures	7.1 Pre-arrival Processing
6.1 General Disciplines on Fees and Charges Imposed on or in Connection with Importation and Exportation	6.3 Penalty Disciplines	7.4 Risk Management
6.2 Specific Disciplines on Fees and Charges for Customs Processing Imposed on or in Connection with Importation and Exportation	7.2 Electronic Payment	7.5 Post-clearance Audit
10.1 Formalities and Documentation Requirements	7.3 Separation of Release from Final Determination of Customs Duties, Taxes, Fees and Charges	7.6 Establishment and Publication of Average Release Times
10.2 Acceptance of Copies	9. Movement of Goods Intended for Import under Customs Control	7.7 Trade Facilitation Measures for Authorized Operators
10.7 Common Border Procedures and Uniform Documentation Requirements	10.5 Pre-shipment Inspection	7.8 Expedited Shipments
10.8 Rejected Goods	10.9 Temporary Admission of Goods and Inward and Outward Processing	7.9 Perishable Goods
11. Freedom of Transit	12. Customs Cooperation	8. Border Agency Cooperation
		10.3 Use of International Standards
		10.4 Single Window
		10.6 Use of Customs Brokers

Source: WTO documents WT/PCTF/N/MNG/1, 29 July 2014, and G/TFA/N/MNG/1, 26 February 2018.

⁹ These are 1.3, 2.1, 7.2, 9, 10.5, and 12.

3.1.1.2 Customs valuation

3.13. The rules for customs valuation are contained in Chapter 4 of the Law on Customs Tariffs and Customs Taxes, 2008, and did not undergo any significant modification during the review period.¹⁰ Mongolia has never notified its customs valuation rules to the Committee on Customs Valuation.

3.14. The Law lists six possible methodologies for determining the value upon importation: (i) transaction value; (ii) transaction value of identical goods; (iii) transaction value of similar goods; (iv) deductive value; (v) computed value; and (vi) fall-back or residual method. The methods are hierarchal, starting with the transaction value method, and only if a methodology cannot be used does one move to the next one in order, i.e. from (i) through to (vi). The c.i.f. price is used as the basis for customs valuation in all the methodologies.

3.15. The transaction value method is the main method for valuation and is defined as the actual price paid or to be paid, directly or indirectly, to the seller of goods purchased abroad (Chart 3.1). In determining the transaction value, the costs of transportation (i.e. including unloading/loading, storage, and insurance) to the border; commission and brokerage fees; the cost of related works, goods, and services; payments for intellectual property; and payments for the sale, disposal, or use of the goods are to be added to the value if they are not already included or expressed separately. Certain conditions prohibit the use of the transaction value method, such as if the parties are related, conditions on the sale or use, or other restrictions related to the sale.¹¹ However, in the case of related parties, the transaction value may be used if the value is close to the value of trade of unrelated parties or of identical or similar goods previously accepted for valuation purposes.

3.16. If value cannot be determined by the transaction value method, the transaction value of identical goods shall be used. Identical goods are defined as those with the same physical properties, production methods, technical characteristics, quality, trademark, country of origin, and manufacturer; slight differences in qualities are not grounds for refusal to use this methodology. Adjustments may be made for different quantities, or distance and means of transport. Certain categories of goods cannot be used to determine the customs value of identical goods, including leased goods, humanitarian aid goods, sample goods, goods imported through credit lines, and goods imported using foreign investment.¹²

3.17. The transaction value of similar goods, i.e. goods that are not identical in all respects, is the next valuation method if the first two methods cannot be used. The same adjustments and restrictions outlined above for the transaction value of identical goods method are also applicable for the transaction value of similar goods method. The deductive value method is the next methodology, and it is based on accounting documents that provide the unit price of the goods¹³, or that of identical or similar goods not sold to related parties. If customs value cannot be determined by the above methods, the computed value method is used, which adds together the direct production costs; additional production costs; operating expenses; net profit; transportation; commission and brokerage fees; payment for intellectual property; costs of related works, goods, or services provided free of charge or discounted; and costs paid by the buyer for the sale, disposal, and use of the goods. Lastly, if none of the above methodologies can be used, the last one is the fall-back or residual method, which allows for the basic principles of the above methodologies with certain flexibilities or easing of criteria.¹⁴ It also specifies seven practices that cannot be used, such as the price of goods on the domestic market or minimum prices.¹⁵

3.18. In practice, the transaction value method is the predominant methodology used for customs valuation, followed by the fall-back method (Chart 3.1). During the review period, use of transaction value increased, from 76% to 84% of the total number of import declarations, while use of other methodologies¹⁶ declined accordingly, from 24% to 16%. The main reason for this shift is the

¹⁰ Legalinfo, *Law on Customs Tariffs and Customs Taxes*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/208>.

¹¹ A full list of prohibitions is contained in Article 10.7 of the Law of Mongolia on Customs Tariffs and Customs Taxes.

¹² A full list is contained in Article 11.10 of the Law of Mongolia on Customs Tariffs and Customs Taxes.

¹³ The following are subtracted from the unit price: sale costs, net profit, commissions, transportation and insurance in Mongolia, and customs and other taxes.

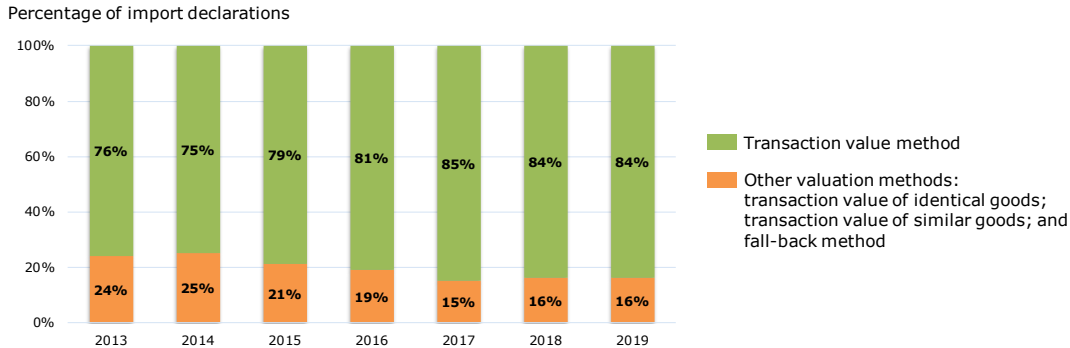
¹⁴ As outlined in Article 15.2 of the Law of Mongolia on Customs Tariffs and Customs Taxes.

¹⁵ Article 15.3 of the Law of Mongolia on Customs Tariffs and Customs Taxes.

¹⁶ Transaction value of identical goods, transaction value of similar goods, and the fall-back methods.

increasing submission of transaction values in the declarations by traders importing used cars from Japan, where the inclusion of verifiable auction documents has become the norm, thus allowing for the use of the transaction value method.

Chart 3.1 Use of different customs valuation methodologies, 2013-19



Source: Data provided by the authorities.

3.19. Separate rules are in place for the customs value of exported goods (Section 3.2.1).

3.1.2 Rules of origin

3.20. Mongolia applies both preferential and non-preferential rules of origin depending on the tariff regime applied. Since 2016, preferential rules of origin as contained in the EPA between Mongolia and Japan have been applied to goods from Japan where preferences are applicable. With the entry into force of the Asia-Pacific Trade Agreement (APTA) on 1 January 2021, the rules of origin of this Agreement also apply to preferential trade from the other APTA parties.

3.21. The main framework for rules of origin is Chapter 7 of the Law on Customs Tariffs and Customs Taxes, 2008. Articles 28-30 outline the rules for non-preferential rules of origin (Chart 3.2). Article 26 further notes that the Government shall approve the rules of origin for the purposes of applying MFN and preferential tariffs. In February 2016, a government resolution further specified the rules of origin pursuant to Article 26; this again evolved, and the rules of origin were changed in December 2016 by another resolution.¹⁷ These changes were necessary to improve the process in order to meet the requirements, in part related to the implementation of the EPA with Japan. Prior to February 2016, Resolution No. 88 of 1 April 2009 provided the applicable origin rules.¹⁸

3.22. The December 2016 Government Resolution sets out the current rules of origin for Mongolia.¹⁹ They specify that the declarant shall select and declare the type of customs tariff regime, i.e. MFN, preferential, or normal, and submit the customs declaration with the provisions and proof for determining origin per the respective regime. Upon importation, Mongolian Customs verifies the declared origin of the goods, whether the documents proving the origin are correct, and whether the general conditions of origin, preferential rules, or other requirements are met. This verification can occur during or after customs clearance. Mongolian Customs furthermore determines the relevant tariff regime. If the declarant does not accept Mongolian Customs' decision on origin, they may appeal to the central customs administration. The declarant may request an origin determination in advance, i.e. advance ruling, pursuant to Article 27.2 of the Law on Customs Tariffs and Customs Taxes.

3.23. According to Article 31 of the same Law, three documents prove the origin of goods: (i) a declaration of origin of goods or a price invoice or transport document containing information on the origin of goods from the manufacturer, seller, or exporter; (ii) a declaration confirming the origin certified by the competent authority of the country; or (iii) a certificate of origin issued by a competent authority of the exporting country as per a special form. Proof of origin is not required in

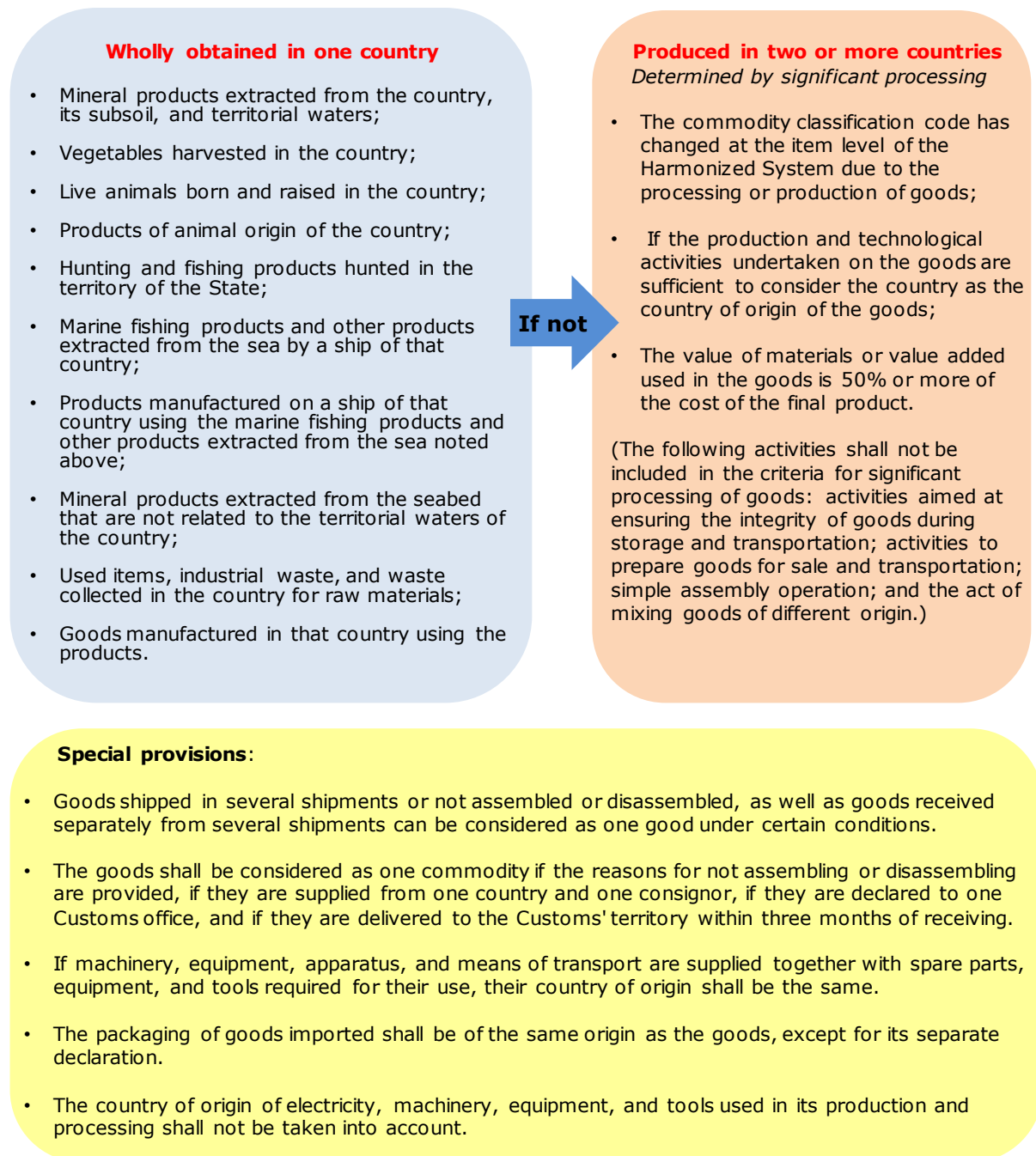
¹⁷ Legalinfo, *Government Resolution No. 101 on Re-approval of the Rules of Origin of Imported Goods*, 15 February 2016. Viewed at: <https://www.legalinfo.mn/law/details/11744>.

¹⁸ Legalinfo, *Government Resolution No. 88 on Approval of the Rules of Origin of Goods*, 1 April 2009. Viewed at: <https://www.legalinfo.mn/law/details/2008>.

¹⁹ Annex 1 to Government Resolution No. 209 of 2016.

certain cases such as for temporary imports, goods in transit, personal belongings, commercial goods with a customs value not exceeding USD 1,500, and goods that do not require proof per a bilateral or multilateral treaty.

Chart 3.2 Rules of origin for MFN trade



Source: Legalinfo, *Law on Customs Tariffs and Customs Taxes*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/208>.

3.24. Preferential rules of origin contained in the EPA with Japan provide several different methodologies, including wholly obtained, produced entirely in the party exclusively of originating materials of the party, or pursuant to the product-specific rules as outlined in the annex. The product-specific rules are defined by HS code and are of three basic types (generally with the option to choose): change in tariff classification (at the HS 2-, 4-, or 6-digit levels); qualifying value content (either 40% or 50%); or specific manufacturing process (for textile goods only, HS Chapters 50-63).

The agreement also has provisions for accumulation, *de minimis*, and a certificate of origin.²⁰ These preferential rules build upon Mongolia's non-preferential rules of origin in that they provide essentially the same list of wholly obtained goods and allow for the change in HS classification, production processes, or value-added methods to determine origin. However, the qualifying value content is a minimum of 40%, in most cases, for the preferential regime compared to 50% for non-preferential trade.

3.25. The rules of origin for the APTA are contained in the First Amendment to the APTA from 2005, and were amended in 2017. The current rules of origin provide for goods wholly produced or obtained, value criteria (i.e. non-originating does not exceed 55% of the f.o.b. value), sectoral agreements, and cumulative rules (i.e. aggregate content of the participating States is not less than 60% of the f.o.b. value). The sectoral rules of origin were concluded as part of the 2017 amendments but have not entered into force yet.²¹

3.26. In September 2016, Mongolia notified to the WTO Committee on Rules of Origin its preferential rules of origin pursuant to the EPA with Japan.²² In 2018, it re-notified these preferential rules of origin, and also notified non-preferential rules of origin.²³ These rules of origin were notified to the WTO pursuant to the amendments of 9 December 2016 to the Law on Customs Tariffs and Taxes.

3.1.3 Tariffs

3.27. The Law on Customs Tariffs and Customs Taxes and a related resolution set out three types of customs tariffs on imported goods, as follows:

- MFN, as specified in the List of Countries with the Most Favourable Customs Tariffs²⁴;
- preferential, as specified in the List of Countries subject to Preferential Customs Tariffs²⁵ and conditions specified in international treaties to which Mongolia is a party; and
- normal, which is double the rate of MFN tariffs.

3.28. The Parliament establishes the MFN tariff for imported goods, while preferential tariffs are determined by the underlying international agreements. Customs duties may take the form of *ad valorem*, specific, or a combination of the two; at present, Mongolia has only *ad valorem* tariffs.

3.29. Seasonal tariffs may also be applied for a period not exceeding six months. Since 2011, seasonal tariffs have been applied on certain flour products (Table 3.3). The rates of duty are either 5% or 15%, depending on the season and on the border post where importation takes place.

²⁰ WTO document WT/REG373/1/Rev.1, 26 June 2018.

²¹ The sectoral rules apply to a limited number of tariff lines/sectors and determine origin by a change in tariff heading. The sectors include certain beverages and spirits; mineral fuels; organic chemicals; plastics; synthetic rubber; footwear; pharmaceuticals; articles of stone, plaster, and cement; iron and steel, including articles; and other metals (copper, nickel, aluminium, lead, zinc, and tin) including articles thereof; electrical machinery and equipment and parts; and miscellaneous manufactured articles.

²² WTO document G/RO/N/144, 12 September 2016.

²³ WTO document G/RO/N/164, 3 April 2018.

²⁴ Legalinfo, *Annex 2 to Government Resolution No. 209 on Renovation of Rules and List* specifies that the MFN tariff applies to WTO Members and the Republic of Belarus. Viewed at: <https://www.legalinfo.mn/annex/details/7543?lawid=12352>.

²⁵ Legalinfo, *Annex 3 to Government Resolution No. 209* specifies that Japan is the only country that is entitled to preferential tariffs. Viewed at: <https://www.legalinfo.mn/annex/details/7544?lawid=12352>.

Table 3.3 Seasonal tariff rates

No.	HS code	Product/commodity	MFN applied
1	11.01	Wheat or meslin flour Imported at Tsagaannuur, Yarant, Borshoo, Artssuuri, and Burgastai	
		between July 1 and April 1	15
		between April 1 and July 1	5
2	11.02	Imported at other borders	15
		Cereal flour other than of wheat or meslin Imported at Tsagaannuur, Yarant, Borshoo, Artssuuri, and Burgastai	
		between July 1 and April 1	15
		between April 1 and July 1	5
		Imported at other borders	15

Source: Legalinfo, *Parliament Resolution No. 19 on Amendments to the Appendix to the Resolution*, 6 May 2011. Viewed at: <https://www.legalinfo.mn/additional/details/1074?lawid=6093>.

3.30. Mongolia does not maintain any tariff-rate quotas but does have absolute quotas on strategic food items (Section 3.1.5 and Table 3.14).

3.1.3.1 Bound and applied rates

3.31. As was the case at the last Review, Mongolia maintains the majority (i.e. 94%) of applied tariffs at 5%, with a few notable exceptions in the alcohol, tobacco, agriculture, and wool sectors. Bound rates remain unchanged. The majority are at 20%, with the highest at 75% (certain spirits (HS 2207)), giving an overall average for bound rates of 17.6%. Mongolia adopted the 2017 nomenclature of the Harmonized Commodity Description and Coding System (HS) in 2017; however, its WTO bound schedule is in the HS12 nomenclature.

3.32. Since the last Review, the simple average applied tariff rate increased slightly from 5.0% to 5.3%, with rates of agricultural products (7.0%) slightly higher than non-agricultural products (5.1%) (Table 3.4). The reason for this increase was mainly due to the increase in tariffs for certain alcohol, tobacco, and agricultural products, which also contributed to higher peak tariffs. According to the authorities, tariffs were increased up to the level of its bound commitments during 2015-17 on these goods. Another development was the increase in "prohibited" tariff lines, from 3 to 111. Although indicated as "prohibited", there were some imports of these goods. According to the authorities, it is more appropriate to refer to these as prohibited or restricted goods. The large increase during the period from 3 to 111 is mainly due to adding tariff lines of goods prohibited by international conventions, e.g. Montreal Protocol on Substances that Deplete the Ozone Layer, Stockholm Convention on Persistent Organic Pollutants, and Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal.

Table 3.4 Structure of the tariff schedule, 2013 and 2020

	MFN applied		Final bound ^a
	2013	2020	
Simple average rate (%)	5.0	5.3	17.6
WTO agricultural products	5.2	7.0	19.1
WTO non-agricultural products	5.0	5.1	17.3
Duty-free tariff lines (% of all tariff lines)	0.8	0.9	1.6
Simple average of dutiable lines only	5.0	5.4	17.8
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines)	0.0	0.0	0.0
Domestic tariff "peaks" (% of all tariff lines) ^b	0.2	1.3	0.05
International tariff "peaks" (% of all tariff lines) ^c	0.02	1.3	77.4
Nuisance applied rates (% of all tariff lines) ^d	0.0	0.0	0.0

	MFN applied		Final bound ^a
	2013	2020	
Standard deviation	0.7	2.6	6.3
Bound tariff lines (% of all tariff lines)	100.0	100.0	100.0
Total number of tariff lines	5,722	6,020	6,020
<i>Ad valorem</i> rates (>0%)	5,671	5,855	5,922
<i>Ad valorem</i> rates at 5% ^e	5,652	5,679	13
Duty-free rates ^e	48	54	98
Prohibited/restricted lines	3	111	

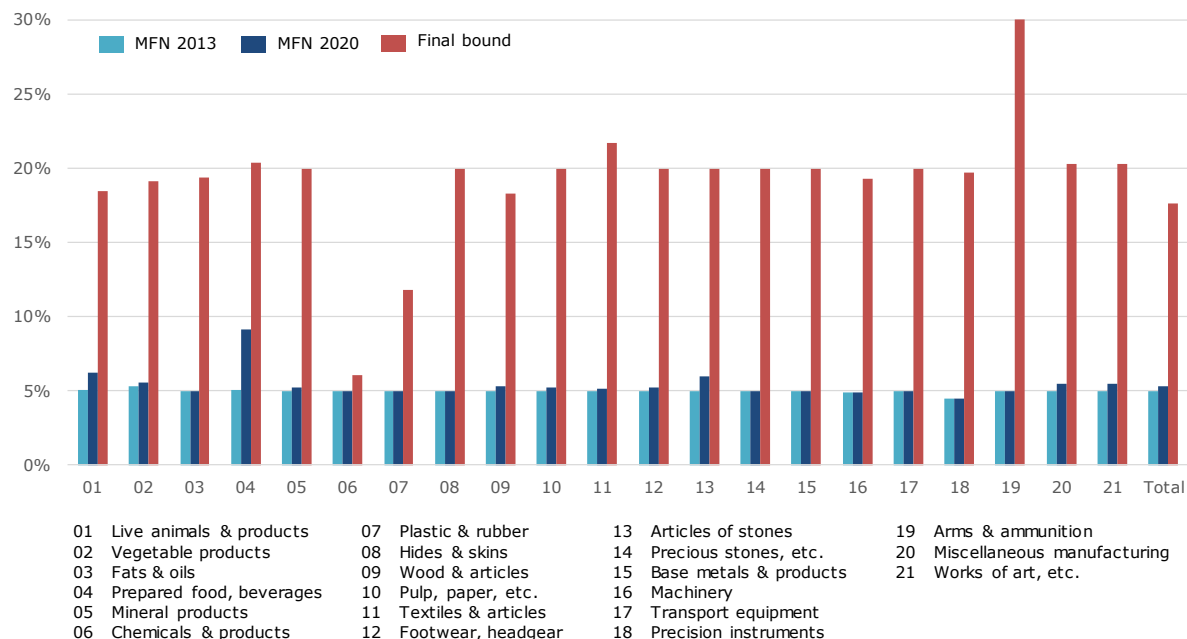
- a Based on the 2020 tariff schedule. Latest certified bound data are provided in the HS12 nomenclature. Concordance with HS17 is done to the best possible extent.
- b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
- c International tariff peaks are defined as those exceeding 15%. In 2013, only one tariff line exceeded 15%.
- d Nuisance rates are those greater than zero, but less than or equal to 2%.
- e Only rates fully applied at the 8-digit level.

Note: Calculations for averages are based on the national 8-digit tariff line level. The 2013 and 2020 tariff schedules are based on the HS12 and HS17 nomenclature, respectively. No applied MFN rate is provided for prohibited/restricted tariff lines. Hence, they are excluded from the calculations.

Source: WTO Secretariat calculations, based on data provided by the authorities to the IDB and the CTS.

3.33. As shown in Chart 3.3, most changes in the applied rates since 2013 were in the beverage, animal products, and articles of stone sectors. Mongolia also maintains a significant binding overhang of about 15% on most categories of goods; however, a number of applied tariffs exceed the bound rates. Approximately 90 tariff lines, mostly in the pharmaceutical and machinery and equipment sectors, have been identified as exceeding the bound rate (Table A3.1). According to the authorities, Mongolia plans to bring these tariffs into alignment with its commitments.

Chart 3.3 Average applied MFN and bound tariff rates, by HS section, 2013 and 2020



Note: The 2013 tariff is based on HS12; the 2020 tariff and final bound rates are based on HS17.

Source: WTO Secretariat calculations, based on data provided by the authorities to the IDB and the CTS.

3.34. The applied tariffs range from zero to 40%, with spirits accounting for the peak tariffs at 40% (Table 3.5). The sectors with the highest averages are beverages, spirits and tobacco, and dairy, with nearly all other sectors averaging around 5%. Most prohibited/restricted lines are in the chemicals sector. The lowest duty rates, i.e. 0%, are found in the live animals and products, mineral products, machinery, and precision equipment sectors. Relatively few tariffs are duty-free (0.9%), while 94% are applied at 5% (Chart 3.4). The next largest category is prohibited/restricted goods; the category accounts for 1.8% of all tariff lines.

Table 3.5 MFN applied summary, 2020

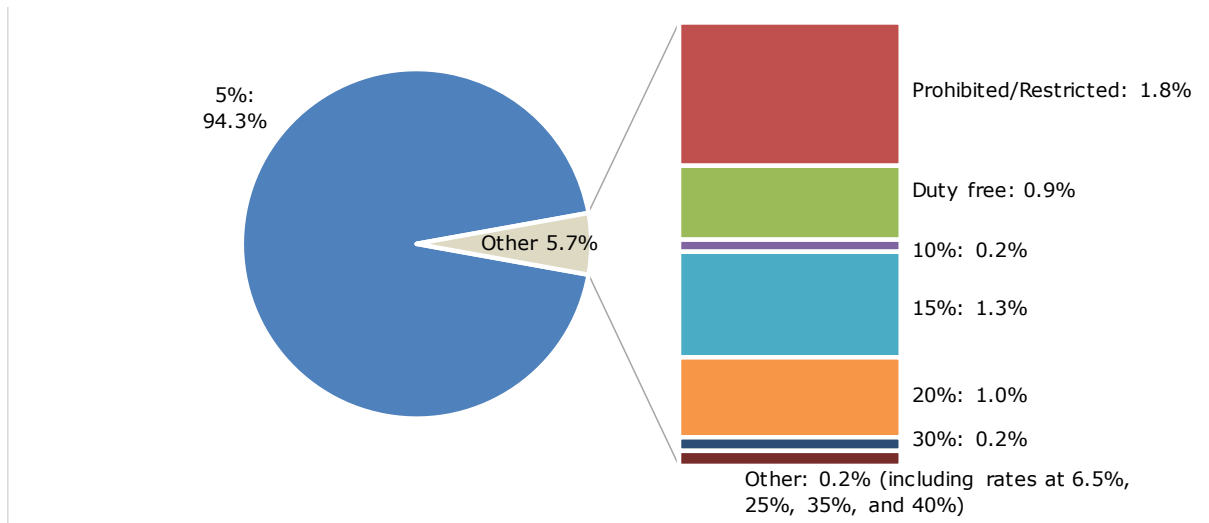
	Number of lines	Prohibited tariff lines (No.)	Average (%)	Standard deviation	Range (%)	
					MFN applied	Bound
Total	6,020	111	5.3	2.6	0-40	0-75
HS 01-24	1,048	11	6.7	5.2	0-40	0-75
HS 25-97	4,972	100	5.1	1.3	0-20	0-30
By WTO category						
WTO agricultural products	900	10	7.0	5.6	0-40	0-75
Animals and products thereof	128		7.5	5.0	0-20	0-20
Dairy products	27		12.2	4.8	5-20	15-20
Fruit, vegetables, and plants	220	5	5.7	3.1	5-20	10-20
Coffee and tea	26		5.0	0.0	5-5	15-20
Cereals and preparations	103		5.9	2.6	5-15	15-20
Oil seeds, fats, oil and their products	83	1	5.0	0.0	5-5	15-20
Sugars and confectionery	20		5.0	0.0	5-5	15-20
Beverages, spirits and tobacco	82	3	17.7	11.1	5-40	15-75
Cotton	5		5.0	0.0	5-5	15-20
Other agricultural products, n.e.s.	206	1	5.0	0.0	5-5	15-20
WTO non-agricultural products	5,120	101	5.1	1.3	0-20	0-30
Fish and fishery products	260	1	5.0	0.0	5-5	20-20
Minerals and metals	974	4	5.2	1.8	5-20	6.5-20
Chemicals and photographic supplies	998	93	5.0	0.1	5-6.5	0-20
Wood, pulp, paper and furniture	287		5.4	2.5	5-20	10-30
Textiles	609		5.1	1.0	5-20	0-30
Clothing	272		5.2	1.8	5-20	20-30
Leather, rubber, footwear and travel goods	206	2	5.1	1.0	5-20	20-20
Non-electric machinery	547		4.9	0.6	0-5	0-20
Electric machinery	256	1	4.7	1.1	0-5	0-20
Transport equipment	293		5.0	0.0	5-5	20-20
Non-agricultural products, n.e.s.	392		4.7	1.1	0-5	6.5-30
Petroleum	26		4.0	1.7	0-5	20-20
By HS section						
01 Live animals and products	411	2	6.3	3.6	0-20	0-20
02 Vegetable products	329	6	5.6	2.7	5-20	10-20
03 Fats and oils	48		5.0	0.0	5-5	15-20
04 Prepared food, beverages and tobacco	260	3	9.2	8.5	5-40	15-75
05 Mineral products	205	2	5.2	2.4	0-20	20-20
06 Chemicals and products thereof	934	87	5.0	0.0	5-5	0-20
07 Plastics, rubber, and articles thereof	216	8	5.0	0.1	5-6.5	6.5-20
08 Raw hides and skins, leather, and its products	141		5.0	0.0	5-5	20-20
09 Wood and articles of wood	124		5.3	1.9	5-20	5-30
10 Pulp of wood, paper and paperboard	143		5.2	1.8	5-20	20-20
11 Textiles and textile articles	886		5.1	1.3	5-20	5-30
12 Footwear, headgear, etc.	59		5.3	1.9	5-20	20-20
13 Articles of stone, plaster, cement	169	2	6.0	3.5	5-20	20-20
14 Precious stones and metals, pearls	57		5.0	0.0	5-5	20-20
15 Base metals and articles thereof	567		5.0	0.0	5-5	20-20

	Number of lines	Prohibited tariff lines (No.)	Average (%)	Standard deviation	Range (%)	
					MFN applied	Bound
16 Machinery, electrical equipment, etc.	806	1	4.9	0.8	0-5	0-20
17 Transport equipment	304		5.0	0.0	5-5	20-20
18 Precision equipment	210		4.5	1.5	0-5	10-20
19 Arms and ammunition	18		5.0	0.0	5-5	30-30
20 Miscellaneous manufactured articles	126		5.5	2.6	5-20	20-30
21 Works of art, etc.	7		5.0	0.0	5-5	20-20

Note: No applied MFN rate is provided for prohibited/restricted tariff lines. Hence, they are excluded from the calculations.

Source: WTO Secretariat calculations, based on data provided by the authorities to the IDB and the CTS.

Chart 3.4 Distribution of MFN tariff rates, 2020



Source: WTO Secretariat calculations, based on data provided by the authorities to the IDB.

3.1.3.2 Duty exemptions

3.35. Mongolia has many tariff exemptions, either outlined in its main tariff law or in specific duty exemption laws or resolutions. The main list of goods exempt from customs duties has been expanded since the last Review, with five new categories added during 2014-17: international postal items, special machinery and equipment for exploration, items related to the petroleum sector, renewable energy research and production equipment, and sports equipment (Box 3.1).

3.36. In addition to this main list, which is specified in the Law on Customs Tariffs and Customs Taxes, various laws and government resolutions exempting goods from customs duties and often also VAT were adopted. These exemptions are generally pursuant to individual customs tax exemption laws (Table 3.6). According to the authorities, duty exemptions were put in place to maintain economic performance; support supply chains, domestic production, and companies/enterprises; and to scale depending on the current social or economic situation.

Box 3.1 Goods exempt from customs duties

Special-purpose devices, prosthetic organs, and their parts for persons with disabilities
Humanitarian and grant aid goods
Currency, Mongolian currency ordered abroad
Personal belongings of passengers
Blood, blood products, tissues, and organs to be used for medical purposes
Gas fuel, its containers, equipment, special-purpose vehicles, and machinery and equipment ^a
Round timber, logs, sawn materials, seeds of trees and shrubs, seedlings, and saplings other than prohibited
Civilian passenger transport vessels and their spare parts

Goods imported for the official use of foreign diplomatic missions and consulates, the United Nations and its specialized branches
Personal belongings required for the migration of the head of a foreign diplomatic mission, diplomatic staff, service and technical staff, and their family members to the country of residence
Wheelchairs, loading/unloading facilities, platforms, lifts, or self-driving vehicles for persons with disabilities
Other goods specified in the law and international treaties
Raw materials, materials, and reagents not required to produce new goods and products in the domestic and foreign markets through innovation projects ^a
International postal items addressed to an individual, with not more than two identical goods, of value not exceeding 10 times the minimum monthly wage
Contractors and subcontractors may import special-purpose vehicles, machinery, equipment, raw materials, materials, chemicals, and explosives for the entire period of exploration and for the first five years of operation for activities related to petroleum and non-traditional oil substances and spare parts
Reports, samples, and materials, related to the petroleum sector
Renewable energy research and production equipment, its accessories and spare parts ^a
Sports equipment and tools ^a

- a The list of goods covered shall be approved by the Government. One hundred products are listed by HS code; these products are also exempt from VAT. Legalinfo, *Appendix to Government Resolution of Government No. 198 on Approval of the List*, 4 April 2016. Viewed at: <https://www.legalinfo.mn/annex/details/7236?lawid=11839>.

Source: Legalinfo, *Law on Customs Tariffs and Customs Taxes*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/208>.

Table 3.6 Customs tax exemptions enacted during 2013-20

Date	Products	Reference
7 June 2013	Technological equipment, spare parts, and special construction materials imported under the project to extract petroleum products from oil, shale, and coal by industrial methods	https://www.legalinfo.mn/law/details/9245?lawid=9245
7 June 2013	Longitudinal thin-layer panels (Oriented Strand Board (OSB)) and prefabricated wooden buildings made in accordance with the standard (HS4410.12)	https://www.legalinfo.mn/law/details/9248?lawid=9248
16 January 2014	Up to 100,000 tonnes of food wheat and up to 20,000 tonnes of food wheat seeds required for strategic seasonal food reserves and seed renewal	https://www.legalinfo.mn/law/details/9691?lawid=9691
24 January 2014	Equipment, spare parts, and tools required for construction work to expand the installed capacity of the Thermal Power Plant (TPP)-4 SOE with a T-120/130-130-8MO turbine	https://www.legalinfo.mn/law/details/9717?lawid=9717
6 June 2014	Equipment and spare parts for the purpose of supporting SMEs, increasing employment, substituting imports, and producing export-oriented products	https://www.legalinfo.mn/law/details/10426?lawid=10426
9 May 2014	Equipment required for the construction of the Amgalan thermal power plant	https://www.legalinfo.mn/law/details/10378?lawid=10378
6 June 2014	Equipment and spare parts for SMEs	https://www.legalinfo.mn/law/details/12493?lawid=12493
21 May 2015	Equipment, spare parts, and materials imported under capacity-building projects	https://www.legalinfo.mn/law/details/11086?lawid=11086
2 July 2015	Genghis Khan statue	https://www.legalinfo.mn/law/details/11194?lawid=11194
25 December 2015	20,000 tonnes of wheat seeds for spring sowing 2016	https://www.legalinfo.mn/law/details/11520?lawid=11520
4 February 2016	Electricity imported for the Western Region Energy System	https://www.legalinfo.mn/law/details/11642?lawid=11642
5 February 2016	Passenger cars, minibuses, special-purpose vehicles, and equipment imported for use in the services of the 11th Asia-Europe Meeting	https://www.legalinfo.mn/law/details/11712?lawid=11712
30 November 2017	Animal feed, hay, up to 225,000 tonnes of food wheat, and up to 10,000 tonnes of seed wheat required for preparation for winter and spring of 2017-18	https://www.legalinfo.mn/law/details/12972?lawid=12972
22 December 2017	Electricity imported for the Western Region Energy System	https://www.legalinfo.mn/law/details/13027?lawid=13027
12 January 2018	Air purifiers and energy-efficient heaters	https://www.legalinfo.mn/law/details/13116?lawid=13116

Date	Products	Reference
10 May 2018	All types of fuel wood, except for imported logs, longitudinal thin-layer panels (OSB), and prefabricated wooden buildings	https://www.legalinfo.mn/law/details/13374?lawid=13374
28 November 2019	100% reduction in customs duties on imported goods required for the establishment of fixed assets for the construction of the oil refinery workers' camp in Sainshand soum, Dornogovi aimag	https://www.legalinfo.mn/law/details/14794?lawid=14794
9 April 2020	15,000 tonnes of elite wheat seeds required for spring sowing in 2020, 160,000 tonnes of food wheat required for domestic flour production, all types of food rice (rice, triangular rice, and millet); exemption from customs duties on imports of sugar and vegetable oil	https://www.legalinfo.mn/law/details/15237?lawid=15237
9 April 2020	Diagnostic kits, drugs, medical devices, equipment, disinfectants, and masks for use in the diagnosis and treatment of COVID-19	https://www.legalinfo.mn/law/details/15242?lawid=15242

Source: Legalinfo. As referenced in the table.

3.37. In response to the COVID-19 pandemic, Mongolia temporarily exempted a number of products from customs duties during the period 1 February 2020 to 1 October 2020. These are mainly diagnostic kits, drugs, medical devices, equipment, disinfectants, and masks (Table 3.7).²⁶

Table 3.7 Customs duty and VAT exemptions for the diagnosis and treatment of COVID-19

Products	HS codes
Diagnostic or laboratory kits	3822.00.00, 3002.15.00, 3821.00.00
Medical drugs	3002.15.00, 3002.20.00, 3004.20.90, 3004.32.10, 3004.90.10, 3004.90.90, 3004.60.90, 3004.10.90
Medical equipment	2804.40.00, 3926.20.00, 4015.11.00, 4015.19.00, 4015.90.00, 6210.10.00, 6210.50.00, 6307.90.00, 6505.00.90, 9004.90.00, 3926.90.00
Medical devices	7311.00.00, 7411.10.00, 7412.10.00, 7613.00.00, 8413.19.00, 8414.80.00, 8421.39.00, 8421.99.00, 8424.20.00, 8424.89.00, 8481.10.00, 9018.19.00, 9018.39.00, 9018.90.00, 9019.20.00, 9025.19.00, 9026.80.00, 9027.80.00
Disinfectants and masks	2847.00.00, 3402.90.00, 3808.94.00

Source: Legalinfo, *Law about Customs Tax Exemption*, 9 April 2020. Viewed at: <https://www.legalinfo.mn/law/details/15242?lawid=15242>.

3.38. Pursuant to the Law on Value Added Tax Exemption and the Law on Customs Duty Exemption, Mongolia exempts certain wood products from these duties. A government resolution from 2019 lists certain categories of products for exemption until 31 December 2022 (Table 3.8). Another significant area of tariff exemption during the review period was for SMEs in certain economic sectors (Table 3.9). In order to implement the provisions for promoting SME development in the Action Plan of the Government for 2016-20 and the Industrialization 21: 100 Program, certain products were exempted from customs duties based on a study of the needs of industry and feedback received from entrepreneurs and other stakeholders. This was a one-time exemption that applied only during 2017-18, and has expired.

Table 3.8 Exemptions from duties and VAT

HS	Description
4401.11.00	Coniferous and elongated fuel wood (narrow tip diameter 6 cm <; length 2.20 m)
4401.11.00	Coniferous, sawn fuel wood or in pieces (narrow tip diameter > 15 cm, length 0.25 m; 0.30 m; 0.50 m; 0.75 m)
4401.12.00	Deciduous and elongated fuel wood (narrow tip diameter 6 cm <; length 2.20 m)
4401.12.00	Fuel wood of deciduous type, sliced and chopped (narrow tip diameter > than 15 cm, length 0.25 m; 0.30 m; 0.50 m; 0.75 m)
4410.12.00	Longitudinally thin-walled plate (OSB)
9406.10.30	Prefabricated wooden building made in accordance with the standard and ready for installation

Source: Legalinfo, *Appendices 2 and 3 to Government Resolution No. 101 on Approval of the List*, 21 March 2019. Viewed at: <https://www.legalinfo.mn/law/details/14240>.

²⁶ Legalinfo, *Law about Customs Tax Exemption*, 9 April 2020. Viewed at: <https://www.legalinfo.mn/law/details/15242?lawid=15242>.

as at 2020. The Agreement excludes about 17% of tariff lines from reduction commitments, the majority of which are agricultural products²⁷; thus, these will remain dutiable after 2036.²⁸ As at the end of 2020, the EPA had an average tariff rate of 1.7%, compared with a simple average MFN rate of 5.3% (Table 3.10).

3.40. Preferential tariffs under the APTA for 2021 are minimal, and do not decrease the overall tariff average (Table 3.10). Preferential rates are with respect to only 385 tariff lines²⁹, 6.4% of all lines, with no lines reduced to zero. The reduced tariffs are concentrated in the textiles and clothing, fishing, and machinery and equipment sectors. Of the products covered, tariffs are reduced from the 5% MFN rate to between 3.5% and 4.5%.

Table 3.10 Summary analysis of preferential tariffs, 2020-21

	Total				WTO agriculture		WTO non-agriculture	
	Average (%)	Range (%)	Coverage ^a (%)	Duty-free rates ^b (%)	Average (%)	Duty-free rates ^b (%)	Average (%)	Duty-free rates ^b (%)
MFN	5.3	0-40		0.9	7.0	0.8	5.1	0.9
Mongolia-Japan EPA (until 31 March 2020)	1.8	0-40	79.9	58.5	4.2	41.4	1.4	61.5
Mongolia-Japan EPA (since 1 April 2020)	1.7	0-40	79.9	58.5	4.1	41.4	1.2	61.5
APTA ^c	5.3	0-40	6.4	0.9	6.9	0.8	5.0	0.9

a Percentage of total number of lines. Only rates that are lower than the corresponding MFN rate are taken into account.

b Duty-free lines as a percentage of total tariff lines.

c From 1 January 2021.

Note: The Mongolia-Japan EPA is provided in the HS12 nomenclature. Concordance to the HS17 nomenclature is done to the best possible extent.

Source: WTO Secretariat calculations, based on data provided by the authorities to IDB.

3.1.4 Other charges affecting imports

3.41. The main charges on imports at the border are excise taxes and the VAT. Both remain largely unchanged in structure since the last Review, although there have been significant changes in the rates for most excise taxes, and the VAT was overhauled as part of an overall government effort on tax reform in recent years.³⁰ Mongolia also has a stamp duty that has been in place for many years. This applies to 45 categories of goods or services, in particular to documents, e.g. notarial services and legal disputes. It also applies to the registration of many IP entities, such as patents, trademarks, and copyrights. The amount of the duty varies depending on the product or service.

3.1.4.1 VAT

3.42. The VAT rate remains unchanged, at 10% on most goods and services. It is also applied on imports but is zero-rated on exports. The law specifies that the Government shall determine the VAT rate on imported gasoline and diesel fuel, within the range of zero to 10%. Certain other goods and services are exempt from VAT, e.g. passenger airplanes and their parts; certain domestically produced fruit, vegetables, meat, and dairy; stock and securities transactions; banking and insurance services; small and medium-sized factory equipment, machinery, and their spare parts manufactured in Mongolia; equipment to be used for renewable energy surveying; certain imported

²⁷ In particular, meat, dairy, grains, certain fruits and vegetables, and wool.

²⁸ WTO document WT/REG373/1/Rev.1, 26 June 2018.

²⁹ Or 366 HS 6-digit tariff lines.

³⁰ Parliament has changed the General Law on Taxation, the Corporate Income Tax Law, the VAT Law, and the Personal Income Tax Law as a result of an overall tax reform process. Ernst & Young, *Mongolia Reforms Its Key Tax Legislation*, 7 June 2019. Viewed at: <https://taxnews.ey.com/news/2019-1057-mongolia-reforms-its-key-tax-legislation>.

logs, lumber, and wood products; health services; and gold.³¹ To determine the taxable value for VAT on imports, the value of customs duties, excise taxes, and other taxes is added to the customs value.

3.43. In 2015, Mongolia enacted the Value-Added Tax Act, 2015, which came into force on 1 January 2016.³² It replaces the previous act from 2006. The main changes were to allow for the recovery of input VAT on capital goods, and to include a new exemption for interest-bearing loans.³³ Since its introduction, it has been amended six times. The main changes were to: (i) exempt from VAT notary services, renewable energy equipment, veterinary services, and profits arising from investments in the Next Generation Fund by the central treasury; and (ii) remove the incentives for taxpayers of imported goods, works, or services, so the incentives would apply only to domestic goods, works, or services.³⁴

3.44. Article 13 of the Value-Added Tax Act, 2015, exempts certain goods and services from VAT.³⁵ This list of general exemptions includes 28 categories of goods such as equipment for the armed forces, goods for personal use when travelling, and special equipment for persons with disabilities. Most exemptions do not discriminate between domestic and imported/exported goods; however, the exemption for milk and dairy products applies only to domestically processed and domestically sold products, and processed meat is exempt if it is sold domestically. Furthermore, the Law on Value Added Tax Exemption exempts certain products from VAT for certain periods of time. Based on this Law, the Government periodically adopts laws or resolutions that contain lists of exemptions from VAT. There are many such laws and resolutions; thus, many products are exempt from VAT at any given time (Table 3.11). A 2019 government resolution provides VAT exemption for certain forestry, logging, and gardening activities until 31 December 2022. More specifically, the exemption applies to tree planting and forestry, logging, non-timber forest resources, forestry support activities, land protection and garden maintenance services, and planting of trees and shrubs.³⁶ The same resolution also exempts six categories of imported wood products from customs duty and VAT (Section 3.1.3.2 and Table 3.8). Tractors, fertilizers, and other agricultural inputs are exempt from VAT according to the Law on Value Added Tax Exemption of 5 February 2016. The exemptions are valid until 31 December 2020. The Government approves the list of goods to be exempted from the VAT by HS code.³⁷

Table 3.11 VAT exemptions, 2020

Products	Date	Reference
Electricity imported by the Western Region Energy System from China or the Russian Federation	1 January 2015	https://www.legalinfo.mn/law/details/11643?lawid=11643
Passenger cars, minibuses, special-purpose vehicles, and equipment imported for use in the services of the 11th Asia-Europe Meeting	5 February 2016	https://www.legalinfo.mn/law/details/11713?lawid=11713
Imports of animal feed, hay, up to 225,000 tonnes of food wheat, and up to 10,000 tonnes of seed wheat	4 December 2017-30 June 2018	https://www.legalinfo.mn/law/details/12973?lawid=12973
Electricity imported by the Western Region Energy System from China or the Russian Federation	1 January 2018-1 January 2021	https://www.legalinfo.mn/law/details/13028?lawid=13028

³¹ For the full list of exemptions, see Chapter 6 of the Value Added Tax Law. Legalinfo, *Law about Value Added Tax*, 9 July 2015. Viewed at: <https://www.legalinfo.mn/law/details/11227?lawid=11227>.

³² Legalinfo, *Law about Value Added Tax*, 9 July 2015. Viewed at: <https://www.legalinfo.mn/law/details/11227?lawid=11227>.

³³ Ernst & Young, *Mongolia Reforms Its Key Tax Legislation*, 7 June 2019. Viewed at: <https://taxnews.ey.com/news/2019-1057-mongolia-reforms-its-key-tax-legislation>.

³⁴ Legalinfo, *Amendment to the Law on VAT*. Viewed at: <https://www.legalinfo.mn/additional/?lawid=11227>.

³⁵ Article 13 lists 28 categories of goods and 19 categories of services subject to exemption. In most cases, the exemption applies to all products (domestic, exported, and imported), but, in a few cases, it applies only to domestic goods, e.g. milk and dairy, meat; or exported goods, e.g. cashmere.

³⁶ Legalinfo, *Appendix 1 to Government Resolution No. 101 on Approval of the List*, 21 March 2019. Viewed at: <https://www.legalinfo.mn/law/details/14240>.

³⁷ Legalinfo, *Law on VAT Exemption*, 5 February 2016. Viewed at: <https://www.legalinfo.mn/law/details/11644?lawid=11644>.

Products	Date	Reference
Imported air purifiers and energy-efficient heating equipment	20 January 2018	https://www.legalinfo.mn/law/details/13115?lawid=13115
Forestry, horticulture, forestry activities, and all types of fuel wood	1 January 2019	https://www.legalinfo.mn/law/details/13375?lawid=13375
Imported goods required for the construction of the oil refinery workers' camp in Sainshand soum	1 January 2020-31 December 2022	https://www.legalinfo.mn/law/details/14796?lawid=14796
Import of 20,000 tonnes of wheat seeds	1 January-1 June 2016	https://www.legalinfo.mn/law/details/11519?lawid=11519
Imported and domestically sold new agricultural tractors, combines, machinery, flour and composting plant equipment, irrigation equipment, forestry machinery, equipment, fertilizers, and pesticides	1 January 2016	https://www.legalinfo.mn/law/details/11644?lawid=11644
Import of equipment required for the production of innovative products, and the sales of domestically produced innovative products and services	22 May 2012	https://www.legalinfo.mn/law/details/10363?lawid=10363
Import of equipment, spare parts, and tools required for construction work to expand the installed capacity of TPP-4 SOE	24 January-1 December 2014	https://www.legalinfo.mn/law/details/9718?lawid=9718
Import of equipment required for the construction of the Amgalan thermal power plant	9 May-31 December 2014	https://www.legalinfo.mn/law/details/10379?lawid=10379
Briquettes produced by Tavan Tolgoi Fuel LLC	7 May 2020	https://www.legalinfo.mn/law/details/15365?lawid=15365
Imported infrastructure of the leather, wool, and cashmere processing complex to be built in Darkhan-Uul aimag	28 August 2020-1 January 2024	https://www.legalinfo.mn/law/details/15576?lawid=15576

Source: Legalinfo, *Law about the Value Added Tax, Revised*, 9 July 2015. Viewed at: <https://www.legalinfo.mn/law/details/11227?lawid=11227&sword=%D0%BD%D0%BE%D0%BE%D0%BB%D1%83%D1%83%D1%80>; and Legalinfo, *Law on VAT Exemption*, 5 February 2016. Viewed at: <https://www.legalinfo.mn/law/details/11644?lawid=11644>.

3.1.4.2 Excise

3.45. Mongolia's excise duties have not undergone significant change since the last Review, although there were some modifications. Excise duties continue to be applied on alcoholic beverages, tobacco, gasoline, diesel fuel, passenger vehicles, and various types of gaming and gambling products and activities (Table 3.12). They apply to goods and services produced/supplied in Mongolia and to imports³⁸, but exports of goods and services are exempt. Other exemptions include vodka distilled from milk and dairy products for home use, snuff tobacco, and alcohol and tobacco allowed by Mongolian Customs for duty-free entry for personal use of passengers. Mongolian Customs collects the duties for imported goods and transfers the revenues to the treasury account³⁹; most domestic excise duties are paid by the taxpayer on a monthly basis, except for on distilled spirits, which must be paid within two working days.

3.46. The rates of excise have undergone significant change since the last Review. Most notably, the rates on most products have increased substantially, and while some rates were harmonized between imported and domestic goods, differing rates remain on a number of products, e.g. gasoline, diesel fuel, and passenger vehicles. According to the authorities, the increase in rates was a result of suggestions from the International Monetary Fund in order to increase tax revenues. Furthermore, some rates also vary depending on the port of entry. All excise duties are specific duties, i.e. applied according to the quantity of the goods. According to the authorities, excise taxes accounted for 13.3% of the total tax revenue of the state budget in 2019.

³⁸ No excise duties are applied on domestically produced passenger vehicles.

³⁹ An exemption exists for the stockpiling of imported fuels, in that the tax is to be paid on the date of sale.

3.47. Excise duties and their rates are specified in the Law on Excise Taxes, 2006, as amended.⁴⁰ An amendment in June 2017 removed the previous excise tax exemption for liquified gas-, electric-, and dual-powered vehicles, so that they are now subject to the tax, but the rate is determined by the Government at between zero and 50% of the specified rate. It is currently at 50%. The 2015, 2016, and April 2017 amendments changed the rates of excise duties for these and subsequent years, i.e. 2018, 2019, 2020, and thereafter, increasing the rates gradually and significantly.⁴¹

Table 3.12 Excise taxes, 2020

Goods subject to excise tax	Domestic goods	Imported goods
	Rate (MNT)	Rate (MNT)
Alcohol for consumption:		
Sold to distillery producers	1,740/litre	1,740/litre
Sold to pharmaceutical producers, for human and veterinary needs	1,450/litre	1,450/litre
Sold to others	17,400/litre	17,400/litre
All types of vodka, liqueurs, cordials, and other alcoholic beverages:		
up to 25°	3,480/litre	3,480/litre
25°-40°	6,960/litre	6,960/litre
40° and above	15,660/litre	15,660/litre
All types of cognac, whisky, rum, and gin:		
up to 25°	8,700/litre	8,700/litre
25°-40°	17,400/litre	17,400/litre
40° and above	20,880/litre	20,880/litre
Mongolian milk alcohol distilled using a production method	350/litre	350/litre
Wine:		
up to 35°	870/litre	870/litre
35° and above	7,830/litre	7,830/litre
Beer	3,500/litre	3,500/litre
Cigarettes and other similar tobacco	4,180/100 pieces	4,180/100 pieces
Pipe tobacco and other similar bulk tobacco	3,130/kg	3,130/kg
Gasoline:		
Octane rating up to 90	0-15,950/tonne	0-215,000/tonne ^a 0-223,000/tonne ^b 0-750,000/tonne ^c
Octane rating over 90	0-17,400/tonne	0-217,000/tonne ^a 0-229,000/tonne ^b 0-750,000/tonne ^c
Diesel fuel	0-21,750/tonne	0-221,000/tonne ^a 0-226,000/tonne ^b 0-850,000/tonne ^c
Passenger vehicles running on gasoline and diesel fuel (volume of engine cylinder (cm ³))/passenger hybrid vehicles and vehicles running on LPG (volume of engine cylinder (cm ³)):		
1,500 and below:		
0-3 years	-	750,000/375,000
4-6 years	-	1,600,000/800,000
7-9 years	-	3,350,000/1,675,000
10 years and over	-	10,000,000/5,000,000
1,501-2,500:		
0-3 years	-	2,300,000/1,150,000
6 years	-	3,200,000/1,600,000
7-9 years	-	5,000,000/2,500,000
10 years and over	-	11,700,000/5,850,000
2,501-3,500:		
0-3 years	-	3,050,000/1,525,000
6 years	-	4,000,000/2,000,000
7-9 years	-	6,700,000/3,350,000
10 years and over	-	13,350,000/6,675,000
3,501-4,500:		

⁴⁰ Legalinfo, *Law about Special Taxes*, 29 June 2006. Viewed at: <https://www.legalinfo.mn/law/details/434>.

⁴¹ Legalinfo, *Amendments to the Law of Mongolia about Special Taxes*. Viewed at: <https://www.legalinfo.mn/additional/details/2081?lawid=434>; <https://www.legalinfo.mn/additional/details/2519?lawid=434>; and <https://www.legalinfo.mn/additional/details/3080?lawid=434>.

Goods subject to excise tax	Domestic goods	Imported goods
	Rate (MNT)	Rate (MNT)
0-3 years	-	6,850,000/3,425,000
6 years	-	8,000,000/4,000,000
7-9 years	-	10,850,000/5,425,000
10 years and over	-	17,500,000/8,750,000
4,501 and over:		
0-3 years	-	14,210,000/7,105,000
6 years	-	27,200,000/13,600,000
7-9 years	-	39,150,000/19,525,000
10 years and over	-	65,975,000/32,987,500
Gaming table or roulette tables	116,000/physical unit/month	116,000/physical unit/month
Slot machines	4,350,000/physical unit/month	4,350,000/physical unit/month
Cashiers or totalizers that provide results of gambling	116,000/physical unit/month	116,000/physical unit/month
Bookmaker centres for estimating the bets	116,000/physical unit/month	116,000/physical unit/month
Activities of individuals and legal entities that conduct quizzes and gambling activities using an electronic network, Internet, or cellular telephone network	36,250,000/month	-

a Imported at Tsagaannuur, Yarant, Borshoo, Artssuuri, Tes, Burgastai, and Gashuun Sukhait.

b Imported at Khankh and Ulikhan Maikhan.

c Imported at Sukhbaatar, Zamyn-Ud, Ereentsav, and Altanbulag.

- None.

Source: Law on Excise Taxes.

3.1.5 Import prohibitions, restrictions, and licensing

3.48. Article 8 of the Customs Law provides the rules for goods subject to import prohibition or restriction. It gives the Parliament and the Government the right to impose prohibitions and non-tariff restrictions on goods, except for those already stated in other laws. Goods prohibited from importation are not allowed in the customs territory. If they are brought in, they must be removed immediately or, if that is not possible, stored in a customs zone or temporary warehouse for up to three days, after which time Mongolian Customs shall take measures for their destruction. Prohibited goods are also prohibited to transit, unless specifically allowed under international treaties. Lastly, the Customs Law prescribes that Mongolian Customs is responsible for notifying the public about goods subject to prohibition or restriction.

3.49. Similar to other countries, many import (and also export) prohibitions and restrictions emanate from international treaties to which Mongolia is a party, such as the Basel Convention on the Control of Transboundary Movements of Hazardous Waste, the Hague Convention for the Protection of Cultural Property, the Convention on International Trade in Endangered Species (CITES), the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, the Protocol to Eliminate Illicit Trade in Tobacco Products, the Montreal Protocol on Substances that Deplete the Ozone Layer, the Single Convention on Narcotic Drugs, the Convention on Psychotropic Substances, the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the Stockholm Convention on Persistent Organic Pollutants, and the Minamata Convention on Mercury.⁴² Additionally, a number of domestic provisions are also in place, such as the requirement for an import licence for jet fuel.⁴³

⁴² Legalinfo, Mongolia's international treaties. Viewed at: <https://www.legalinfo.mn/law/details/10698?lawid=10698>; <https://www.legalinfo.mn/law/details/10706?lawid=10706>; <https://www.legalinfo.mn/law/details/10053?lawid=10053>; <https://www.legalinfo.mn/law/details/10701?lawid=10701>; <https://www.legalinfo.mn/law/details/10080?lawid=10080>; <https://www.legalinfo.mn/law/details/10705?lawid=10705>; <https://www.legalinfo.mn/law/details/9975?lawid=9975>; <https://www.legalinfo.mn/law/details/10390?lawid=10390>; and <https://www.legalinfo.mn/law/details/10149?lawid=10149>.

⁴³ Mongolia Chamber of Commerce, *Import certificate*. Viewed at: <https://www.mongolchamber.mn/p/23>.

The complete lists of prohibited goods and those subject to restriction are outlined in Tables 3.13 and 3.15.

3.50. Since the last Review, more products have been added to the lists of prohibited and restricted goods. The main change to the import licensing regime was the addition of firearms and ammunition in 2015.

3.51. In August of 2015, Parliament approved amendments to the Law on Firearms.⁴⁴ The main objective of its Article 16 is to regulate the issuance of import licences and public sale permits of firearms and ammunitions. As a result, the following changes were made to the import licensing procedure:

- the special permit for importing and manufacturing ammunitions shall be given to a person not holding a permit for the import or sale of firearms through a competitive selection process;
- such selection shall be conducted by a commission that consists of representatives of central administrative bodies in charge of justice, sports, nature and the environment, intelligence, police organizations, and Mongolian Customs;
- a legal person, an individual holding a permit to conduct sports training, shall have permission for the import and sale of ammunitions within their premises; and
- annual import quantities of firearms, types of ammunition, and their designated usage shall be constituted by the government department in charge of justice based on the commission proposals.

3.52. As such, a government resolution of 11 January 2016 amended the List of Coded Products Subject to Import Licensing, by including a section on "guns, weapons, tactical devices, techniques and its spare parts and accessories".⁴⁵

3.53. Mongolia had a regulation on the Temporary Procedures for Issuing Permits for the Export and Import of Strategic Food items since 2013 pursuant to the Articles 3 and 6 of the Food Law.⁴⁶ This Resolution implemented the procedures for issuing import and export licences for a specific list of strategic food items that is otherwise controlled or restricted by annual quota. As at 2020, the list included 33 tariff lines, mostly meat products (Table 3.14). MOFALI determines the type and quantity of these foods that can be imported and exported in a given year through an Order.⁴⁷ For example, the latest Order (A-519) for 2020 allowed the importation of 500 tonnes of beef, 4,000 tonnes of dry milk powder, 15,000 tonnes of wheat seed, and 60,000 tonnes of durum wheat.⁴⁸ Quota levels and licences for the year are announced on the MOFALI website, after which legal entities registered in Mongolia may submit a tender. A working group of the MOFALI is responsible for selecting the candidates and issuing the licences, which are not transferable. After receiving the approval (licence), importers and exporters have six months to import/export the product. In August 2019, the 2013 resolution was updated and replaced by a new resolution on the Procedure for Issuing Permits for Export and Import of Strategic Food.⁴⁹ The main elements of the earlier resolution remain

⁴⁴ Legalinfo, *Law on Firearms, Revised*, 7 August 2015. Viewed at: <https://www.legalinfo.mn/law/details/11270?lawid=11270>.

⁴⁵ Legalinfo, *Government Resolution No. 32 on Amendments to the List of Coded Products Subject to Import Licensing*, 11 January 2016. Viewed at: <https://www.legalinfo.mn/law/details/11571?lawid=11571>.

⁴⁶ Legalinfo, *Government Resolution No. 77 on the Temporary Procedure for Issuing Permits for the Exportation and Importation of Strategic Food*, 2 March 2013. Viewed at: <https://www.legalinfo.mn/law/details/9090>.

⁴⁷ See Order No. A-131 for 2013, A-08 and A-72 for 2014, A-23 for 2017, A-163 for 2018, A-20 for 2019, and A-519 for 2020.

⁴⁸ Legalinfo, *Order of the Ministry of Food, Agriculture, and Light Industry No. A-519 on Mongolia's Export and Import Strategy for 2020 to Determine the Name, Type and Quantity of Food*, 31 December 2019. Viewed at: <https://www.legalinfo.mn/law/details/14933>. The same order, in Appendix 1, lists the products and quota levels for exports. For 2020, specific export quotas were issued for beef (8,300 tonnes), horse meat (27,900 tonnes), and heat-treated meat products (26,600 tonnes).

⁴⁹ Legalinfo, *Government Resolution No. 329 on Approval of Procedure*, 14 August 2019. Viewed at: <https://www.legalinfo.mn/law/details/14606>.

intact, but the new one allows for the use of a one-stop shop or single window application for the licensing process.

Table 3.13 List of prohibited goods, 2020

Good	Legal reference
Prohibited and unlicensed ozone-depleting substances	Government Resolution No. 95 of 2007 on the Law on Air
Unauthorized drugs and psychotropic substances and their raw materials ^a	Articles 13.1.5, 13.1.7, and 13.1.8 of the Law on Controlling the Circulation of Narcotic Drugs and Psychotropic Substances
Seedlings of trees and shrubs, except for experimental and research work	Article 29.1.11 of the Forest Law
All types of tobacco advertising materials ^a	Article 8.2 of the Law on Tobacco Control
Alcohol advertising materials ^a	Article 9.3 of the Law on Combating Alcoholism
Toxic and hazardous chemicals prohibited or unlicensed in Mongolia	Government Resolution No. 95 of 2007 on Articles 5.1, 6.4, and 15.4 of the Law on Toxic and Hazardous Chemicals
Hazardous waste for use, storage, temporary disposal, and disposal	Article 17.1 of the Law on Waste
Nuclear material for weapons ^a	Article 33.2 of the Law on Nuclear Energy
Prohibited and unlicensed nuclear materials, radiation generators, radiation-generating tools, equipment and technology prohibited by Mongolian law ^a	Articles 37.2.1, 41.1, and 41.2 of the Law on Nuclear Energy
Counterfeit medicine	Article 11.1.7 of the Law on Medicines and Medical Devices
Unauthorized drugs, medical devices and biologically active products	Article 15.9.3 of the Law on Medicines and Medical Devices
Blood, blood products, tissues and organs for profit	Article 13.1 of the Law on Donors
Pornography, books, movies, videos, pictures, etc.	Article 5.3 of the Law on Combating Pornography
Ethyl alcohol, other than for research purposes	Parliament Resolution No. 05 of 1998; Government Resolution No. 378 of 2014
Waste ferrous and non-ferrous metals (cast iron, steel, copper, brass, aluminium and their alloys), cast and other primary ferrous and non-ferrous metals, spare parts and products made of ferrous and non-ferrous metals not used for their intended purpose, except for beer cans	Parliament Resolution No. 05 of 1998
The animals and plants listed in Annex 1 to the CITES, for purposes other than research	CITES
Unauthorized plants, perennial roots, rhizomes, and tubers of plants	Articles 17.1 and 17.3 of the Law on Natural Plants
Very rare and endangered plants and their derivatives, except for research purposes or as a final product	Articles 17.4 and 17.5 of the Law on Natural Plants
Acetic acid in small packages, with a concentration of more than 25%	Government Resolution No. 378 of 2014
Products containing asbestos, including brake pads containing asbestos	Government Resolution No. 378 of 2014
Equipment for the production of foam with HCFC-22 and HCFC-141b, which are harmful to the ozone layer and contribute to global warming	Montreal Protocol on Substances that Deplete the Ozone Layer; Government Resolution No. 378 of 2014
Unauthorized pyrotechnic devices	Law on Controlling the Circulation of Explosives and Explosive Devices; Government Resolution No. 149 of 2006

a Also applies to goods in transit.

Source: Mongolian Customs, *List of Prohibited and Restricted Goods*. Viewed at: <https://www.customs.gov.mn/2014-03-25-01-15-56>.

Table 3.14 List of strategic food items, 2020

	HS	Description
I.	Beef	
1	0201.10.00	Meat of bovine animals, fresh or chilled, carcasses and half-carcasses
2	0201.20.10	Meat of bovine animals, fresh or chilled, other cuts with bone in
3	0201.30.10	Meat of bovine animals, fresh or chilled, boneless

	HS	Description
4	0202.10.00	Meat of bovine animals, frozen, carcasses and half-carcasses
5	0202.20.10	Meat of bovine animals, frozen, other cuts with bone in
6	0202.30.10	Meat of bovine animals, frozen, boneless
II. Sheep		
7	0204.21.00	Meat of sheep, fresh or chilled, carcasses and half-carcasses
8	0204.22.00	Meat of sheep, fresh or chilled, other cuts with bone in
9	0204.23.00	Meat of sheep, fresh or chilled, boneless
10	0204.41.00	Meat of sheep, frozen, carcasses and half-carcasses
11	0204.42.00	Meat of sheep, frozen, other cuts with bone in
12	0204.43.00	Meat of sheep, frozen, boneless
III. Goat meat		
13	0204.50.00	Meat of goats
IV. Horse meat		
14	0205.00.11	Meat of horses, with bone in
15	0205.00.12	Meat of horses, boneless
V. Yak meat		
16	0201.20.20	Meat of yak, fresh or chilled, other cuts with bone in
17	0201.30.20	Meat of yak, fresh or chilled, boneless
18	0202.20.20	Meat of yak, frozen, other cuts with bone in
19	0202.30.20	Meat of yak, frozen, boneless
VI. Milk and cream, not concentrated nor containing added sugar or other sweetening matter:		
20	0401.10.00	- of a fat content, by weight, not exceeding 1%
21	0401.20.00	- of a fat content, by weight, exceeding 1% but not exceeding 6%
22	0401.40.00	- of a fat content, by weight, exceeding 6% but not exceeding 10%
23	0401.50.00	- of a fat content, by weight, exceeding 10%
VII. Dry milk		
24	0402.21.10	Milk powder
VIII. Food		
25	1001.19.00	Durum wheat other than seed
26	1001.99.10	Soft durum
IX. Seed		
27	1001.11.00	Durum wheat, seed
28	1001.91.10	Soft wheat, seed
X. Flour		
29	1101.00.11	High grade
30	1101.00.12	Grade I
31	1101.00.13	Grade II
32	1101.00.20	Wheat-rye flour (meslin)
XI. Drinking water		
33	2201.90.10	Bottled drinking water

Source: Mongolian Customs, *List of Strategic Foods*. Viewed at: <http://www.customs.gov.mn/btkus/pdf/strategyfood.pdf>.

3.54. A number of categories of products are also subject to restriction or licensing requirements (Table 3.15). Licensing requirements emanate from Article 8 of the Customs Law, and are further expanded upon in Government Resolution No. 219 of 25 October 2002, as amended.⁵⁰ As stated in the Resolution, the issuance of licences is under the authority of the respective state administrative body, and licences are issued for a period of up to one year, which may be extended for an additional year. The Resolution also specifies standard forms for the application and the issuance of licences, and for reporting to the Ministry of Industry and Trade.

3.55. Mongolia has not notified these measures to the WTO pursuant to the notification requirements on quantitative restrictions or import licensing, as applicable, during the review period.

⁵⁰ Legalinfo, *Government Resolution No. 219 on Listing and Approval of Regulations "List of coded goods licensed to cross the state border"*. Viewed at: <https://www.legalinfo.mn/law/details/2449>. Annex 1 to this resolution was amended by Government Resolution No. 379 of 1 December 2014, Government Resolution No. 410 of 19 October 2015, and Government Resolution No. 149 of 14 December 2015, as amended by Government Resolution No. 32 of 11 January 2016. Legalinfo, *Government Resolution No. 32 on Amendments to the Resolution*. 11 January 2016. Viewed at: <https://www.legalinfo.mn/law/details/11571?lawid=11571>.

Table 3.15 Restricted goods subject to import licensing, 2020

Good	Legal reference	Licensing agency
Breeding animals	Law on Licensing of Business Activities	MOFALI, Veterinary Breeding Department
Very rare living animals	Article 36.1 of the Law on Fauna	Ministry of Environment and Tourism
Live animals other than very rare animals, raw materials of their origin, research samples, and specimens	Article 36.2 of the Law on Fauna	Ministry of Environment and Tourism
Plants, perennial roots, rhizomes, and tubers of plants	Articles 17.1 and 17.3 of the Law on Natural Plants	Ministry of Environment and Tourism
Very rare and endangered plants and their derivatives, for research purposes or as a final product	Articles 17.4 and 17.5 of the Law on Natural Plants	Ministry of Environment and Tourism
Ozone-depleting substances	Law on Air; Law on Licensing of Business Activities; Government Resolution No. 95 of 2007	National Ozone Service
Alcohol	Law on Licensing of Business Activities	MOFALI
Tobacco	Law on Licensing of Business Activities	MOFALI
All types of fuel	Law on Licensing of Business Activities	Ministry of Mining and Heavy Industry
Veterinary medicine and medical supplies	Law on Licensing of Business Activities	Veterinary breeding station
Substances used to protect plants	Law on Business; Licensing Law on Toxic and Hazardous Chemicals	MOFALI and Ministry of Environment and Tourism
Improved livestock from abroad	Law on Licensing of Business Activities	MOFALI
Human medicine, medical devices, instruments and prosthetic equipment	Law on Licensing of Business Activities	Ministry of Health
Biologically active products	Law on Licensing of Business Activities	Ministry of Health
Seedlings of trees and shrubs for experimental research	Law on Natural Plants	Ministry of Environment and Tourism
Pyrotechnic devices	Law on Controlling the Circulation of Explosives and Explosive Devices; Government Resolution No. 149 of 2006	Ministry of Mining and Heavy Industry
Firearms, ammunition and firearm-like devices	Law on Firearms; Law on Licensing of Business Activities; And Government Resolution No. 219 of 2001	Ministry of Justice and Internal Affairs
Drugs and psychotropic substances and their precursors	Law on Business Licensing; Law on Control over the Circulation of Narcotic Drugs and Psychotropic Substances	Ministry of Health
Pathogens and their toxins	Law on Licensing of Business Activities	Ministry of Health
Nuclear substances	Law on Business Licensing; Law on Nuclear Energy	Nuclear Energy Commission
Radioactive minerals and radiation sources	Law on Business Licensing; Law on Nuclear Energy	Ministry of Mining and Heavy Industry
Explosives, explosive devices and raw materials	Law on Licensing of Business Activities; Law on Explosives and Explosive Devices	Ministry of Mining and Heavy Industry
Strategic food	Food Law	MOFALI
Tissues and organs certified for medical purposes only	Donor Law	Ministry of Health
For the purpose of restoration and promotion of unique and valuable historical and cultural monuments	Law on Protection of Cultural Heritage	Ministry of Culture
Endangered species of wildlife and flora	CITES, Annex 2	Ministry of Environment and Tourism

Good	Legal reference	Licensing agency
Electricity	Article 12.1.10 of the Energy Law	Ministry of Energy
Toxic and hazardous chemicals ^a	Law on Toxic and Hazardous Chemicals; Law on Licensing of Business Activities; Government Resolution No. 95 of 2007	Ministry of Environment and Tourism

a Also required for transit.

Source: Mongolian Customs, *List of Prohibited and Restricted Goods*. Viewed at: <https://www.customs.gov.mn/2014-03-25-01-15-56>; and information provided by the authorities.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.56. Mongolia does not have any legislation on anti-dumping, countervailing, or safeguard measures, nor has it established any authority to initiate or conduct investigations related to these measures. Thus, it has not imposed any anti-dumping, countervailing, or safeguard measures at this time.

3.57. However, Mongolia established a working group, consisting of representatives from relevant ministries and the Mongolian National Chamber of Commerce and Industry (MNCCI), that has been directed by the Minister of Foreign Affairs to develop a regulation on safeguard measures in compliance with the WTO Agreement on Safeguards. According to the authorities, the draft regulation aims to distribute functions among departments, to allow it to also apply bilateral safeguard measures in line with FTAs to which Mongolia is a party.

3.58. With respect to Mongolia's EPA with Japan, Section 2 contains provisions on safeguards, and Article 2.17, the relevant rules on anti-dumping and countervailing measures. The provisions of Article 2.17 state that nothing in the Agreement shall prevent a party from taking measures in accordance with the relevant WTO provisions. Similarly, for safeguards, nothing in the EPA prevents a party from invoking a global safeguard measure pursuant to Article XIX of GATT 1994, the Agreement on Safeguards, or Article 5 of the Agreement on Agriculture. The EPA allows the parties to invoke a bilateral safeguard measure under certain conditions and pursuant to an investigation by the competent authorities. It also prevents the simultaneous implementation of a bilateral and global safeguard on the same item.

3.1.7 Other measures affecting imports

3.59. Mongolia has legislation and related rules that allow it to implement or enforce UN sanctions and domestic sanctions. This allows for economic and trade sanctions, arms embargoes, financial restrictions, product restrictions, and travel bans. The applicable legislation at the beginning of the review period was the Law on Combating Terrorism, 2013, which was replaced by the Law on Counter Terrorism and Proliferation of 10 October 2019.⁵¹ The main reasons for replacing the Law were to develop a legal framework of targeted financial sanctions, to incorporate Recommendations 6 and 7 of the Financial Action Task Force (FATF) standard, and to broaden the scope of the law to regulate proliferation and its financing issues. Following the revision, the Regulation on Listing Terrorists, Control and Stopping the Movement of Assets of Listed Persons was also replaced with a new Regulation of 25 December 2019. This regulation explains the obligations laid out in the Law on Counter Terrorism and Proliferation and regulates UN Security Council Resolutions (UNSCRs) 1267, 1373, and other resolutions. These sanctions are focused on designated terrorists, or non-cooperating countries and jurisdictions. Mongolia does not have any trade or financial sanctions associated with the Law on Counter Terrorism and Proliferation. For domestic sanctions, Mongolia implements UNSCR 1373.

⁵¹ Legalinfo, *Law on Counter Terrorism and Proliferation*. Viewed at: <https://www.legalinfo.mn/law/details/14699?lawid=14699>.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.60. Customs clearance procedures for exports involve essentially the same procedure as for imports – declaration of the goods, inspection of customs documents, inspection of the goods and means of transport, levying of any duties or taxes, and release of the goods. Like imports, various fees may also apply to exports (Table 3.1). According to the Customs Law, there are four main types of export: goods may be (i) permanently exported; (ii) temporarily exported; (iii) sent for processing abroad; or (iv) returned from abroad. In essence, goods may be exported from the customs territory on the basis of payment of any customs and other taxes, based on the documents required. In 2019, electronic applications through the Internet accounted for 15% of total declarations.⁵² As is the case for importation, the CAIS is used for exportation.

3.61. An expedited paperless clearance process exists for coal exports, and Mongolia is expanding and transferring some mineral export clearance activities to electronic form. Currently, 94.3% of the total customs clearance of coal, fluorspar, oil, iron ore, and copper concentrate exports is completed electronically.⁵³ According to Article 2.14 of the Guidelines for Customs Control of Minerals, Mining Products and Vehicles, 2015, and Article 7.1.14 of the General Procedures for Customs Control of Goods and Means of Transportation Across the Customs Border, 2019, drawn up by Mongolian Customs, customs declarations or manifests shall not be published unless the declarant submits a request.⁵⁴

3.62. The MNCCI has the authority to provide certificates of origin for exports.⁵⁵ This is regulated by MNCCI's Regulation on Determining the Origin of Export Products Derived from Mongolia and on Issuing the Certificate of Origin.⁵⁶ Thus, the MNCCI issues Origin Form A for exports benefitting from GSP schemes, Form E for preferential treatment pursuant to the Mongolia-Japan EPA, and Form B for other destinations. The exporter must submit an application form, a copy of the purchase agreement, an invoice, a packing list, a state registration certificate, and relevant licences or inspection documents if necessary. The MNCCI also provides the interface for the European Union's registered exporter system for preferential trade. Separate sanitary certificates for live animals and phytosanitary certificates for wood are issued by the General Agency for Specialized Inspection (GASI).⁵⁷ Soum and district authorities' forest units issue certificates of origin for wood and timber pursuant to a 2013 regulation that controls the issuance and use of logging licences and certificates of origin under the provisions of Article 34 of the Forest Law.⁵⁸

3.63. Similar to the case of imports, Chapter 5 of the Law on Customs Tariffs and Customs Taxes provides details on how to value goods for customs export clearance.⁵⁹ Four different methodologies are possible: (i) transaction value method, (ii) computed value method calculated from expenses, (iii) transaction value of identical or similar goods, and (iv) market information and research pricing method based on world market prices.⁶⁰ As with customs valuation methodologies for imports, the methods are hierarchal, starting with the transaction value method.

⁵² Information provided by the authorities.

⁵³ A special fee of MNT 1,500 per tonne applies for the clearance of coal and mining sector mineral products (Table 3.1).

⁵⁴ Legalinfo, *Order No. A/275 of the Head of the General Customs Department on Approval of Procedure*, 4 December 2019. Viewed at: <https://www.legalinfo.mn/law/details/14908?lawid=14908>.

⁵⁵ MNCCI, *Certificate of Origin*. Viewed at: <https://www.mongolchamber.mn/p/266>.

⁵⁶ MNCCI, *Regulation on Determining the Origin of Export Products Derived from Mongolia and on Issuing the Certificate of Origin*. Viewed at: <https://resource4.sodonsolution.org/mongolchamber/File/2019/10/17/n1nd1c6w3d82otsq/CEO%20regulation%20new%202007.pdf>.

⁵⁷ Legalinfo, *Veterinary Hygiene Hygiene-Original Certificate and Procedure for Use*. Viewed at: <https://www.legalinfo.mn/annex/details/4229?lawid=7958>.

⁵⁸ Legalinfo, *Procedure for Granting and Control of Origin*. Viewed at: <https://www.legalinfo.mn/annex/details/5940?lawid=9339>.

⁵⁹ Legalinfo, *Law on Customs Tariffs and Customs Taxes*, 20 May 2008. Viewed at: <https://www.legalinfo.mn/law/details/208>.

⁶⁰ World market prices include price lists, reference prices, and information on the Internet.

3.2.2 Taxes, charges, and levies

3.64. Mongolia continues to apply export duties, including on five categories of wood products as at July 2020 (Table 3.16). There were no significant changes to the products subject to export duty during the review period. A specific export tax is also applied certain skins of goats (Table 3.17). According to the authorities, the export duties were established to protect the environment and avoid excessive wood cutting.

Table 3.16 Export duty for certain commodities, 2020

Product/commodity	HS code	Duty amount
Fuel wood, in logs, in billets, in twigs, in faggots or in similar forms; wood in chips or particles; sawdust and wood waste and scrap, whether or not agglomerated in logs, briquettes, pellets or similar forms	4401	MNT 150,000/m ³
Wood in the rough, whether or not stripped of bark or sapwood, or roughly squared	4403	MNT 150,000/m ³
Railway or tramway sleepers (cross-ties) of wood	4406	MNT 150,000/m ³
Wood sawn or chipped lengthwise, sliced or peeled, whether or not planed, sanded or end-jointed, of a thickness exceeding 6 mm	4407	MNT 150,000/m ³
Wood (including strips and friezes for parquet flooring, not assembled) continuously shaped (tongued, grooved, rebated, chamfered, V-jointed, beaded, moulded, rounded the like) along any of its edges, ends or faces, whether or not planed, sanded or end-jointed	4409	MNT 150,000/m ³

Source: Mongolian Customs, *Customs Duties and Other Taxes*. Viewed at: <http://www.customs.gov.mn/duty/trf>.

Table 3.17 Specific export tax, 2020

Product/Commodity	HS Code	Tax amount
Skins of goats	4103.9	MNT 1,500/piece
Skins of kid goats	4103.9	MNT 1,500/piece
Untreated furskins of Mongolian goats or kids	4301.1	MNT 1,500/piece

Source: Mongolian Customs, *Customs Duties and Other Taxes*. Viewed at: <http://www.customs.gov.mn/duty/trf>.

3.2.3 Export prohibitions, restrictions, and licensing

3.65. Article 5 of the Customs Law prescribes the rules of prohibited and restricted goods for export. Goods prohibited to be exported by legislation are not allowed to leave the customs territory, and the same applies for goods in transit unless otherwise prescribed in international treaties (Table 3.18). Similar to the situation for imports (Section 3.1.5), many of the export prohibitions or restrictions emanate from international agreements and have been in place for many years without modification. Mongolia also maintains a list of goods subject to control or licensing upon export (Table 3.19).

3.66. According to a government resolution of July 2019, the export of Saker falcons is prohibited.⁶¹ This is a continuation of an earlier measure from 2013 that applied for five years. It was prohibited during the entire review period.⁶² Exports of foods identified as "strategic food items" are controlled by quantitative restrictions and licensing (Table 3.14 and Section 3.1.5).

⁶¹ Legalinfo, *Government Resolution No. 293 about Prohibition of Export*, 9 July 2019. Viewed at: <https://www.legalinfo.mn/law/details/14548?lawid=14548>.

⁶² Legalinfo, *Government Resolution About Prohibition of Export*, 12 January 2013. Viewed at: <https://www.legalinfo.mn/law/details/8926?lawid=8926>.

Table 3.18 List of goods prohibited to export, 2020

Good	Legal reference
Unauthorized drugs and psychotropic substances and their raw materials ^a	Articles 13.1.5, 13.1.7, and 13.1.8 of the Law on Controlling the Circulation of Narcotic Drugs and Psychotropic Substances
All types of tobacco advertising materials ^a	Article 8.2 of the Law on Tobacco Control
Alcohol advertising materials ^a	Article 9.3 of the Law on Combating Alcoholism
Toxic and hazardous chemicals prohibited or unlicensed in Mongolia	Government Resolution No. 95 of 2007 on Articles 5.1, 6.4, and 15.4 of the Law on Toxic and Hazardous Chemicals
Nuclear material for weapons ^a	Article 33.2 of the Law on Nuclear Energy
Prohibited and unlicensed nuclear materials, radiation generators, radiation-generating tools, equipment and technology prohibited by Mongolian law ^a	Articles 37.2.1, 41.1, and 41.2 of the Law on Nuclear Energy
Pornography, books, movies, videos, pictures, etc.	Article 5.3 of the Law on Combating Pornography
Waste ferrous and non-ferrous metals (cast iron, steel, copper, brass, aluminium and their alloys), cast and other primary ferrous and non-ferrous metals, spare parts and products made of ferrous and non-ferrous metals not used for their intended purpose, except for beer cans	Parliament Resolution No. 05 of 1988
The animals and plants listed in Annex 1 to the CITES for purposes other than research	CITES
Unauthorized plants, perennial roots, rhizomes, and tubers of plants	Articles 17.1 and 17.3 of the Law on Natural Plants
Very rare and endangered plants and their derivatives, except for research purposes or as a final product	Articles 17.4 and 17.5 of the Law on Natural Plants
Saker falcons	Government Resolution No. 293 of 2019
Unauthorized pyrotechnic devices	Law on Controlling the Circulation of Explosives and Explosive Devices; Government Resolution No. 149 of 2006

a Also applies to goods in transit.

Source: Mongolian Customs, *List of Prohibited and Restricted Goods*. Viewed at: <https://www.customs.gov.mn/2014-03-25-01-15-56>.

Table 3.19 Restricted goods subject to export licensing, 2020

Good	Legal reference	Licensing agency
Breeding animals	Law on Licensing of Business Activities	MOFALI Veterinary Breeding Department
Very rare living animals	Article 36.1 of the Law on Fauna	Ministry of Environment and Tourism
Live animals other than very rare animals, raw materials of their origin, research samples, and specimens	Article 36.2 of the Law on Fauna	Ministry of Environment and Tourism
Plants, perennial roots, rhizomes and tubers of plants	Articles 17.1 and 17.3 of the Law on Natural Plants	Ministry of Environment and Tourism
Very rare and endangered plants and their derivatives for research purposes or as a final product	Articles 17.4 and 17.5 of the Law on Natural Plants	Ministry of Environment and Tourism
Firearms, ammunition and firearm-like devices	Law on Firearms; Law on Licensing of Business Activities; Government Resolution No. 219 of 2001	Ministry of Justice and Internal Affairs
Drugs and psychotropic substances and their precursors	Law on Business Licensing; Law on Control over the Circulation of Narcotic Drugs and Psychotropic Substances	Ministry of Health
Pathogens and their toxins	Law on Licensing of Business Activities	Ministry of Health
Nuclear substances	Law on Business Licensing; Law on Nuclear Energy	Nuclear Energy Commission
Radioactive minerals and radiation sources	Law on Business Licensing; Law on Nuclear Energy	Ministry of Mining and Heavy Industry

Good	Legal reference	Licensing agency
Explosives, explosive devices and raw materials	Law on Licensing of Business Activities; Law on Explosives and Explosive Devices	Ministry of Mining and Heavy Industry
Strategic food	Food Law	MOFALI
Tissues and organs certified for medical purposes only	Donor Law	Ministry of Health
For the purpose of restoration and promotion of unique and valuable historical and cultural monuments	Law on Protection of Cultural Heritage	Ministry of Culture
Endangered species of wildlife and flora	CITES, Annex 2	Ministry of Environment and Tourism
Electricity	Article 12.1.10 of the Energy Law	Ministry of Energy
Toxic and hazardous chemicals ^a	Law on Toxic and Hazardous Chemicals; Law on Licensing of Business Activities; Government Resolution No. 95 of 2007	Ministry of Environment and Tourism

a Also applies to goods in transit.

Source: Mongolian Customs, *List of Prohibited and Restricted Goods*. Viewed at: <https://www.customs.gov.mn/2014-03-25-01-15-56>.

3.2.4 Export support and promotion

3.67. In 2019, an Export Promotion Council was established by the Government, pursuant to an order of the Prime Minister, with a mandate of overseeing progress on the Mongolian Export Program.⁶³ The Council is composed of representatives from various ministries and specialized agencies, and NGOs representing the private sector, such as the MNCCI and labour organizations. It met for the first time in June 2019 to formulate, implement, and coordinate export promotion policies.⁶⁴ The Mongolian Export Program of 2018 is an important policy instrument of the Government, aimed at supporting the research and marketing of priority products that can be exported to foreign markets.⁶⁵ Its main mandate is to increase the exports of non-mining products by creating a conducive environment and facilitating trade. Its initiatives to support exports include:

- involving producers who export value-added products using tax credits and exemptions for the purchase of imported raw materials;
- including the export income of the exporter in the tax credit;
- providing incentives for exporters;
- establishing export production and trade networks; and
- developing an export insurance system.⁶⁶

3.68. The Government is currently implementing the provisions of the Mongolian Export Program, pursuant to the Action Plan approved by the Minister of Foreign Affairs in 2019. Another initiative is Mongolia's Export Development Project, developed in cooperation with the World Bank, that focuses particularly on SMEs. It aims to help non-mining sectors strengthen their export capabilities. The Project began in 2016 and is expected to be finalized by 2021. Four main project development indicators that aim to achieve certain targets: (i) increase export volumes; (ii) increase the number of firms that obtain internationally recognized quality certification; (iii) increase the number of firms that start exporting following participation in Project activities; and (iv) provide export credit

⁶³ Order No. 37 of the Prime Minister, 28 March 2019.

⁶⁴ Mongolia News Agency, *Export Promotion Council Holds Its First Meeting*, 26 June 2019. Viewed at: <https://montsame.mn/en/read/194013>.

⁶⁵ Legalinfo, *Government Resolution No. 278 about Approval of the Program*, 5 September 2018. Viewed at: <https://www.legalinfo.mn/law/details/13692>.

⁶⁶ Mongolia News Agency, *Export Promotion Council Holds Its First Meeting*, 26 June 2019. Viewed at: <https://montsame.mn/en/read/194013>.

insurance products. As at 2020, the first target of increasing exports had been met and even exceeded; the other three had not yet been achieved.⁶⁷

3.69. Mongolia's free zone (FZ) regime of 2002 was established with a view to developing export-oriented business and supporting exports in general, in addition to attracting new trade and investment opportunities. As at 2020, three FZs were operating – Altanbulag, Tsagaannuur, and Zamiin-Uud. The main law governing FZs was revised in 2015, replacing the previous law from 2002.⁶⁸ The new law has provisions on the establishment of FZs, management of FZs, special rules for activities in FZs, and land and infrastructure elements.⁶⁹ The changes introduced in the revised law were designed to improve the cooperation between public and private entities in developing FZs. In 2019, USD 2.7 million of foreign goods were imported into the Altanbulag and Zamiin-Uud FZs under the FZ procedure, and USD 158,000 of Mongolian goods were imported into the FZ from the customs territory.⁷⁰

3.70. The MNCCI is also involved in export support and promotion activities, through coordinating and organizing trade fairs for the business community. It also provides market information and analysis to its members. Mongolia does not provide direct subsidies for any exported goods, including agricultural products.

3.2.5 Export finance, insurance, and guarantees

3.71. Mongolia is developing its export financing, insurance, and guarantees areas; see Section 3.2.4 on its new and proposed initiatives. At present, Mongolia does not have any officially government-backed export finance, insurance, or guarantee products, but there are two areas in which such products are planned.

3.72. Agricultural Re-insurance (AgRe) LLC was established, following a government resolution in 2014, to implement agricultural reinsurance services to protect herders and farmers from possible *force majeure* events in the agricultural sector.⁷¹ Government Resolution No. 303 of October 2018 renamed AgRe LLC to Mongolian Reinsurance JSC, with a view to developing an offer of export insurance and guarantee products. The plan to develop the financial sector until 2025 also provides policy direction, as it indicates that the reinsurance system should be further developed to reduce foreign currency outflows, introduce international risk management standards to reduce costs, and establish a national reinsurance entity. As Mongolian Reinsurance JSC's activities expanded, it began cooperating with 15 insurance companies operating in Mongolia and, at present, it provides insurance in the following sectors: asset, liability, freight, accident, aircraft tonnage, and financial insurance, as well as insurance in the field of agriculture. Currently, it retains about 4% of reinsurance costs inside the country with a goal of increasing its share to 10% in 2020. According to the authorities, the Law on Insurance prohibits insurance and reinsurance companies from issuing guarantees of any kind, thus Mongolian Reinsurance JSC has only been able to plan development of these products.

3.73. Article 8.2 of Chapter 2 of the Law on the Development Bank of Mongolia states: "At least 60 percent of the total loan, funding and guarantees from the Development Bank of Mongolia will be spent on export-oriented projects and programs." As such, the Bank has provisions to support exporters. However, it has not yet started to provide specific products and services that support exporters, such as guarantees, financing, and insurance. At present, it is in the process of developing them.

⁶⁷ World Bank, *Mongolia Export Development Project*. Viewed at: <https://projects.worldbank.org/en/projects-operations/project-detail/P147438?lang=en>.

⁶⁸ Legalinfo, *Law about Free Zones*, 12 February 2015. Viewed at: <https://www.legalinfo.mn/law/details/10930>.

⁶⁹ For example, non-tariff restrictions are not applied on goods imported into or exported from FZs, and simplified customs procedures are applied when importing into or exporting from an FZ.

⁷⁰ Information provided by the authorities.

⁷¹ Legalinfo, *Resolution No. 280 on the Establishment of the Agricultural Reinsurance Legal Entities*, 28 August 2014. Viewed at: <https://www.legalinfo.mn/law/details/10574?lawid=10574>.

3.3 Measures Affecting Production and Trade

3.3.1 Incentives

3.74. Mongolia has no specific direct subsidies, except those enumerated below and in Section 4 (Sections 4.1 and 4.3). It has several tax and non-tax incentives regularly offered to investors (Section 2.4). Free zones and industrial parks also offer certain advantages and infrastructure measures (Section 3.2.4), and a number of customs tariff and VAT exemptions are also in place for certain sectors (Sections 3.1.3.2 and 3.1.4.1).

3.75. As a result of the COVID-19 pandemic and the introduction of border restrictions, Mongolia issued a government resolution pursuant to the Law on Disaster Protection that puts in place measures to support the cashmere industry. In particular, it reduces interest rates on new loans, provides special loans of up to MNT 300 billion for cashmere production with a one-year term and a 3% rate of interest, and advises the Development Bank of Mongolia to take measures to increase funding sources.⁷²

3.76. Special privileges and a development fund for small and medium-sized enterprises (SMEs) are in place.⁷³ The Law on the Support of Small and Medium Enterprises and Services was revised in 2019, and outlines government policies and support for SMEs.⁷⁴ In addition to the Small and Medium Enterprise Development Fund (SME Development Fund) noted below, the support includes soft loans, loan guarantees, interest subsidies, tax credits and exemptions, support through procurement, and support to access foreign and domestic markets. The SME Development Fund was established in 2009 to support SME expansion in general, and its main activities include providing long-term soft loans to SMEs, offering professional advice and training, providing interest rate subsidies to SMEs that export their products; and providing leased equipment bought with state funds to support SMEs.⁷⁵ The Action Plan of the Government for 2016-20 includes special considerations for SMEs, and supports domestic production through tax and customs policies. These include discounts on regional taxation, and a 1% income tax and a 90% tax credit for SMEs⁷⁶ in the food, garment and textile, construction materials, and agriculture and animal husbandry sectors.⁷⁷ Furthermore, the National Program to Support Small and Medium Enterprises is being implemented during 2019-22, with an emphasis on increasing productivity, market competitiveness, and employment of SMEs. It contains a number of provisions for SMEs, such as creating access to preferential financial conditions, improving the legal environment for guarantees and insurance, and creating new loan products.⁷⁸

3.77. The Law on Government Special Funds, 2019, provides the legal basis for the funding of certain special government funds, including the SME Development Fund.⁷⁹ Twenty-three such funds are specified, with funding coming from the Government, their own generated income, or international donors/assistance. Most of the funds are for social purposes, such as education or social welfare, but a few may impact trade or commerce, such as the agricultural support fund and the broadcasting development fund.

⁷² Legalinfo, *Government Resolution No. 101 on Some Measures to Be Taken and Implemented in the Cashmere Sector*, 19 March 2020. Viewed at: <https://www.legalinfo.mn/law/details/15202?lawid=15202>.

⁷³ SMEs and services are defined in the law as businesses operating in the manufacturing, trade, or services sectors, with up to 200 employees and annual sales revenue of up to MNT 2.5 billion. Certain business activities, such as mining, mortgage lending, and manufacture of alcohol and tobacco, are excluded from the law. According to the National Statistics Office, 77% of registered enterprises and 72% of employment, but only 2.3% of exports, are in SMEs.

⁷⁴ Legalinfo, *Law on Support of Small and Medium Enterprises and Services*, 6 June 2019. Viewed at: <https://www.legalinfo.mn/law/details/14525>.

⁷⁵ SME Development Fund. Viewed at: <https://smefund.gov.mn/>; and Legalinfo, *Law about the Loan Guarantee Fund*, 10 February 2012. Viewed at: <https://www.legalinfo.mn/law/details/286>.

⁷⁶ For SMEs with an annual income of less than MNT 1.5 billion.

⁷⁷ Ministry of Food, Agriculture and Light Industry, *SME Policy*. Viewed at: <https://mofa.gov.mn/exp/blog/25/224>.

⁷⁸ Legalinfo, *Government Resolution No. 156 on Approval of the National Program*, 17 April 2019. Viewed at: <https://www.legalinfo.mn/law/details/14350>.

⁷⁹ Legalinfo, *Law about Government Special Funds*, 13 November 2019. Viewed at: <https://www.legalinfo.mn/law/details/14848>.

3.78. Mongolia does not have export subsidies on agricultural products.⁸⁰

3.79. Mongolia made no notifications to the Committee on Subsidies pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the Agreement on Subsidies and Countervailing Measures (SCM Agreement) since 2004. The last notification, covering the period 2000-04, indicated that Mongolia did not introduce any subsidy within the meaning of Article 1.1 of the SCM Agreement that is specific within the meaning of Article 2 of the Agreement, or operates directly or indirectly to increase exports or reduce imports.⁸¹ According to the authorities, this remains the case.

3.3.2 Standards and other technical requirements

3.80. In accordance with its development strategy, Mongolia plans to further promote standardization, metrology, conformity assessment, and sampling control policies to ensure national, social, and economic security; increase exports; and support the development of national industries. The Sustainable Development Vision 2030 has several goals for standards, in particular regarding the adoption of international standards in the animal health, fuel, and food sectors.⁸² For example, during the period 2016-20, Mongolia planned to develop veterinary services in line with animal health standards for the export of livestock and to strictly enforce standards for food products.

3.81. This was accomplished by the approval of the new animal health law in December 2017 (in force since 1 June 2018) and the establishment of the General Authority for Veterinary Services (GAVS) in compliance with international standards that were recommended by the World Organisation for Animal Health (OIE). To implement the new animal health law, more than 120 pieces of secondary legislation were developed and revised as supporting documents. The GAVS is working on the development and adoption of international standards for animal health and food safety issues. Mongolia is implementing an animal identification and traceability system through a digital veterinary certificate system.

3.82. One of the policy developments during the review period was the adoption, in 2016, of the National Quality Program, which set out to improve the legal environment for standardization, metrology, and the accreditation infrastructure to reach the level of international standards.⁸³ The Program emphasizes the food sector and is being implemented during 2016-20. In addition to its main goal of improving the legal framework, it also plans to build and develop a quality infrastructure system, develop the human resource capacity of the quality infrastructure, and increase the knowledge and understanding of consumers and producers regarding quality. Specific goals related to trade include improving the quality of export-oriented products and services through standardization, implementing the WTO Technical Barriers to Trade (TBT) Agreement, increasing the capacity of testing laboratories for export-oriented import-substituting products, establishing an electronic foreign trade control system, and introducing EU standards in the construction sector to promote trade, testing, and conformity assessment. As at October 2020, not all of these objectives had been met; thus, some are also reflected in the new Government Action Plan for 2020-24.

3.83. The standards-making policy is also guided by Mongolian Agency for Standardization and Metrology's (MASM) bi-yearly Standardization Work Plans, which prioritize and focus the work of the standards agency. The two most recent Work Plans cover the periods 2018-19 and 2020-21. The most recent Plan focuses on the adoption of International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), and other international standards. According to the authorities, one of the main objectives of the standardization policy is to increase the number of national standards that are aligned with international standards.

⁸⁰ WTO document G/AG/N/MNG/9, 4 June 2018.

⁸¹ WTO documents G/SCM/N/60/MNG, 6 September 2004; G/SCM/N/71/MNG, 6 September 2004; and G/SCM/N/95/MNG, 6 September 2004.

⁸² Parliament of Mongolia, *Mongolia Sustainable Development Vision 2030, Government Resolution No. 19*, 5 February 2016. Viewed at: <https://www.greengrowthknowledge.org/sites/default/files/downloads/policy-database/MONGOLIA%29%20Mongolia%20Sustainable%20Development%20Vision%202030.pdf>.

⁸³ Legalinfo, *Government Resolution No. 344 on Approval of the National Quality Program*, 28 June 2016. Viewed at: <https://www.legalinfo.mn/law/details/12140>.

3.3.2.1 Framework

3.84. There were several developments in the standards framework during the review period. The main law on standards, technical regulations, accreditation, and conformity assessment was revised and replaced, a new list of products and services subject to mandatory conformity assessment was issued along with the procedures for entering the market, and a new Law on Metrology was adopted (Table 3.20). Other developments included the establishment of the National Accreditation Center and two regional assay testing laboratories in 2018. A new Order was put in place in 2016 for technical regulations that apply to imported alcoholic beverages.

3.85. The MASM is the government regulatory agency responsible for policy, coordinating and managing metrology, standardization, and assay inspection. It is also responsible for the development of national standards, and providing conformity assessments to domestic and foreign products. The MASM has eight departments, including the Institute of Metrology. By an Order of the Deputy Prime Minister of September 2016, the MASM's operational strategy and structure were amended to support government priorities and action plans.⁸⁴ The changes were focused to support the National Quality Program and in the following areas:

- to protect the public interest, human health, the environment, national security, and to improve the competitiveness of national industries, products, and services through standardization and conformity assessment technical coordination activities;
- to support social and economic development through a policy to ensure the integrity of measurements, and to increase the technical capacity of the measurement system, national standard of measurement units, and legal metrology to international levels;
- to support the establishment of an accreditation system for conformity assessment bodies that meet international standards, and to increase economic capacity;
- to support trade, service providers, and producers through certification activities of product, service, and management systems (ISO 9001, ISO 14000, hazard analysis and critical control points (HACCP)), and to create favourable conditions for them to compete fairly in the market; and
- to protect the interests of consumers by providing sample certification at the international level, identifying precious metal samples and identifying gemstones in accordance with international standards.

3.86. Mongolian standards are adopted by the MASM, and standards development activities are carried out by technical committees established for different sectors of the economy. The objective of the committees is to draft, evaluate, and give opinions on draft national, regional, or international standards; they are composed of representatives of the ministries, representatives of private sector entities, and scientific and professional organizations.

3.87. In December 2017, the Law on Standardization, Technical Regulation and Accreditation of Conformity Assessment (Law on Standardization) was adopted as the new main law on standardization, technical regulation, and conformity assessment; it entered into force on 1 July 2018. It contains provisions on technical regulations, standards, conformity assessment, accreditation of conformity, violations, and government organization, control, and financing. According to the authorities, the main reasons for adopting the Law were to specify that standards were "voluntary", to regulate all types of conformity assessment activities, to improve product safety and quality in line with international practices, and to improve Mongolia's alignment with international standards (e.g. ISO and IEC) to which it is a member. One of the most important changes in the Law is the establishment of a legal environment for an independent National Accreditation System. Since August 2020, the Mongolian National Accreditation System (MNAS) operates as an independent body under the Deputy Prime Minister of Mongolia.

⁸⁴ MASM, *Order No. 98 of the Deputy Prime Minister*, 8 September 2016. Viewed at: <https://masm.gov.mn/masmj/wp-content/uploads/2019/03/Agentlagiin-il-tod-baidliin-kart.pdf>.

3.88. In 2016, an Order of the Minister of Industry was issued that approves and enforces technical regulations on imported alcoholic beverages. It requires traders that import alcoholic beverages to fully meet the specifications that include Mongolian technical regulations for certain beverages, permissible levels of alcohol content, acidity/alkalinity measures, physiochemical characteristics, bacteriological indicators, alcohol safety levels of heavy metals, and packaging, transport, and labelling requirements. According to the authorities, technical regulations are applicable to both imported and domestically produced beverages. This technical regulation has not been notified to the WTO.

3.89. The List of Products and Services Subject to Mandatory Conformity Assessment was approved by a government resolution in 2018 in compliance with Clause 13.4 of the Law on Standardization (see para. 3.100 for product coverage). The same resolution also includes the Procedures to Supply Goods and Services with Conformity Attestation in the Domestic Market and International Market. This resolution gives the responsibility for enforcement of the measures to the MASM, and to Mongolian Customs for imported products; they have the responsibility to allow the supply of products that meet the requirements and to not allow products to cross the border without a valid certificate of conformity. Special provisions apply to alcoholic beverages and tobacco products, in that they must have an approved conformity assessment before entering the country. In November 2019, Mongolia notified the TBT Committee of this draft Government Resolution.⁸⁵

3.90. The new Law on Metrology was also adopted during the review period, and it entered into force in June 2020. It aims to ensure the unity of measurement, and support economic and social development through metrological policy. There are provisions on measurement units, standards, and inspection; metrology policy; organization of metrology within the Government; and powers, violations, financing, and rights and obligations of citizens and legal entities. The Law establishes the legal environment for the Institute of Metrology's objective of conducting scientific research to create measurement standards, and improve unit transmission and accuracy. Accredited professional metrological organizations, departments, and laboratories shall establish state standards of measurement, ensure unit transmission, verify measuring instruments, and design testing activities. In order to facilitate public services to business entities, organizations, and consumers, and to expand e-services, the metrology licence will be abolished, and a simplified system for registration of metrology information in the state-unified database will be established. Furthermore, in order to reduce technical barriers to foreign and domestic trade, the results of initial certification and design tests will be accepted on a contractual basis.

3.91. The Law on Fortified Food, 2018, entered into force on 31 December 2019. It requires the compulsory enrichment of certain foods to protect the health of the population. It specifies that the MASM shall approve the national product standard for each type of fortified food. As at October 2020, two such fortified food standards had been issued on wheat flour and food-grade iodized salt.⁸⁶ Both importers and producers are obliged to meet the food fortification standards. The Law also contains several provisions to support its implementation. There are requirements for the Parliament to determine the customs duty, tax, and credit policies for the import of equipment and concentrates for food enrichment. Furthermore, the Law provides for state supports and incentives; however, according to the authorities, the State does not provide them to entrepreneurs.

Table 3.20 Main laws or resolutions on standards, 2020

Law/resolution	Summary	Reference
Law on Metrology	Main law on metrology to ensure unity of measures	9 May 2019 https://www.legalinfo.mn/law/details/14440
Law on Standardization, Technical Regulation and Accreditation of Conformity Assessment	Main (revised) law establishing the legal basis for standardization, technical regulation, and accreditation of conformity assessment	21 December 2017 https://www.legalinfo.mn/law/details/13071
Resolution No. 291 on Listing and Approval of Rules	List of products and services subject to mandatory conformity assessment and the procedures for	3 October 2018 https://www.legalinfo.mn/law/details/13707

⁸⁵ WTO document G/TBT/N/MNG/8, 4 November 2019.

⁸⁶ "Fortified wheat flour. General requirements MNS 6812:2019"; and "Food grade iodized salt. General technical requirements. MNS 5046:2019".

Law/resolution	Summary	Reference
Law on Fortified Food	supplying these to the Mongolian market For the compulsory industrial fortification of certain types of food with vitamins and minerals, including the import, production, export, and control of the concentration	3 May 2018 https://www.legalinfo.mn/law/details/13353
Resolution No. 87 on Measures to Implement the Law on Standardization, Technical Regulation and Accreditation of Conformity Assessment	Instructs the Government to take certain steps such as organizing inspections and approving new regulations to implement the new law	21 December 2017 https://www.legalinfo.mn/law/details/13074
Resolution No. 270 on the Establishment of a National Accreditation Center	Establishes the National Accreditation Center and approves its charter	29 August 2018 https://www.legalinfo.mn/law/details/13644
Resolution No. 275 on the Establishment of Laboratories	Establishes two regional laboratories	5 September 2018 https://www.legalinfo.mn/law/details/13655
Order No. 64 for the Approval and Enforcement of Technical Regulations on Imported Alcohol	Technical regulations on imported alcoholic beverages	12 April 2016 https://www.legalinfo.mn/law/details/11871
Resolution No. 281 on Sample Control and Registration	Sampling, certification, and inspection of precious metals, gemstones, and articles made thereof	3 November 2010 https://www.legalinfo.mn/law/details/2368

Source: Compiled by the Secretariat from the sources indicated in the table.

3.92. In order to implement Clauses 14.8 and 14.9 of the Law on Standardization and to promote consumer protection, the Order on the Design, Dimension and Usage Procedure of Product Safety Mark was approved in 2018 for products subject to mandatory conformity assessment.⁸⁷ This Order was notified to the WTO in November 2019 in WTO document G/TBT/N/MNG/10, with an implementation date of 1 August 2020. According to the authorities, the Order was approved in 2018 and notified to the WTO with some delay. It is expected to improve well-being and safety, as products with safety markings may endanger human life, health, or the environment, and the mark confirms its compliance with the regulations.

3.93. In 2018, the MASM issued the Order on Procedures for Issuing and Registering Supplier's Declaration of Conformity to implement Clauses 14.1, 14.5, and 14.6 of the Law on Standardization.⁸⁸ It specifies the procedures for issuing and registering a supplier's declarations of conformity, which is one way to comply if a product is subject to mandatory conformity assessment, and how to request registration of a supplier's declaration. It requires that, among other criteria, the supplier's declaration be issued by a legal entity registered in Mongolia, and that registration is performed by an accredited certification body. Other provisions specify maximum time limits, grounds for refusing to register, and procedures for monitoring products with a supplier's declaration.

3.94. The regulations on the Rate Charge for Certification Services, the Procedure for Product and Service Certification according to the Scheme in Mongolia, the Code of Certification Board at MASM, and the Code of Certification Expert were revised and approved by Order No. 22, issued by the Deputy Prime Minister in 2019.

⁸⁷ Legalinfo, *Order No. A/253 on the Design, Dimension and Usage Procedure of Product Safety Mark*, 23 July 2018. Viewed at: <https://www.legalinfo.mn/law/details/13570>.

⁸⁸ Legalinfo, *Order No. A/257 on Procedure for Registration of Supplier's Declaration*, 24 July 2018. Viewed at: <https://www.legalinfo.mn/law/details/13571>.

3.95. According to the authorities, since 2016 labelling requirements have existed for the labelling of pre-packaged foods, and since 2008 for the packaging and labelling of cosmetics.⁸⁹ These are in addition to those specific to imported alcoholic beverages noted above. In 2017, two further standards relating to labelling requirements were approved by the MASM on labelling requirements for pre-packaged foods, and guidelines for the production, processing, labelling, and marketing of organically produced foods.⁹⁰

3.3.2.2 Standards, technical regulations, and conformity assessment

3.96. As at July 2020, more than 6,500 registered standards and technical regulations were listed in Mongolia's national database of standards.⁹¹ Each year, between 100 and 200 new and updated standards are approved, and between 20 and 200 standards are revoked; since 2014, about one third to one half of the new standards have been aligned with international standards (Table 3.21).

Table 3.21 List of standards and technical regulations, adopted 2015-20

Year	Total approved standards	Of which are international standards	Percentage of standards harmonized to international standards	Standards withdrawn	Technical regulations
2015	128	76	..	124	0
2016	115	65	..	177	0
2017	101	49	..	53	1
2018	60	20	41.2	23	0
2019	118	81	41.5	83	4
January to August 2020	106	36	42.0	22	0

.. Not available.

Source: Information provided by the authorities.

3.97. In July 2016, the MASM's Department of Standards and Metrology launched the Estandard.gov.mn website, which provides information on standards and technical regulations registered in Mongolia in one database that is searchable by product grouping or type of standard.⁹² It also provides lists of valid or recently invalidated standards and technical regulations.

3.98. A list of technical regulations to be developed or revised was approved by Government Resolution No. 235 in 2019.⁹³ Its Appendix lists 18 new or revised technical regulations in the areas of environmental pollutants, construction/building works, measuring instruments, fire safety, alcohol, tobacco, leather production, meat and dairy products, personal protective equipment, explosives, vehicles, schools, solid fuels, and uranium leaching. As at the end of October 2020, the drafts of these technical regulations were under development by the respective ministries, and the deadline for issuing them was extended and incorporated in the Action Plan of the Government for 2020-24.

3.99. The Appendix to the Government Resolution from 2018 lists 184 HS 4-digit codes of goods and 27 categories of services that are subject to mandatory conformity assessment. Goods include certain processed foods, beverages, minerals, metals, chemicals and plastics, leather, machinery and equipment, and textiles; services include such things as bus transport, hotels, tourism services, fitness centres, and railway technical works.⁹⁴ The list excludes many live animals, plants, and raw materials that are exempt if they are covered by the Law on Quarantine Control and Inspection.

⁸⁹ Mongolian standards MNS 6648 and MNS ISO 22715.

⁹⁰ MNS OIML R 79: 2017 and MNS CAC GL 32: 2017; and WTO document G/TBT/N/MNG/10, 4 November 2019.

⁹¹ Estandard. Viewed at: https://estandard.gov.mn/uploads/MON-CAT2020_11_06.pdf.

⁹² MASM, *Project introduction*. Viewed at: <http://estandard.gov.mn/about>.

⁹³ Legalinfo, *Government Resolution No. 235 on Some Measures to be Taken After the Examination*, 19 June 2019. Viewed at: <https://www.legalinfo.mn/law/details/14502>.

⁹⁴ Legalinfo, *Appendix 1 to Government Resolution No. 291 on Listing and Approval of Rules*, 3 October 2018. Viewed at: <https://www.legalinfo.mn/annex/details/8728?lawid=13707>.

3.3.2.3 WTO and international conventions or cooperation

3.100. During the review period, one specific trade concern (STC) was raised with respect to Mongolia in the TBT Committee; and no STCs were raised by Mongolia against other Members. The STC was raised in February 2020 by the Russian Federation regarding the mandatory enrichment of certain agricultural products with vitamins.⁹⁵ According to the Russian Federation, this emanated from the Law on the Enrichment of Food Products that entered into force in December 2019 and, in particular, to the enrichment of wheat flour. The Russian Federation questioned the rationale for the Law, why the standard was mandatory, and its consistency with international standards. The time between the publication and the entry into force of the measure was also questioned, and was noted as being insufficient for producers and exporters to adapt to it. Mongolia clarified a number of points, in particular the applicable government resolution from 2018 and the subsequent standards issued in 2019. The matter remained ongoing in the Committee as at May 2020. The MASM was notified as being the national enquiry point for Mongolia.⁹⁶ In 1997, the MASM was also notified as being the only standardizing body in Mongolia that had accepted the Code of Good Practice per Annex 3 of the TBT Agreement.⁹⁷ During the review period, Mongolia notified its new Law and Resolution, and three technical regulations, to the TBT Committee.

3.101. Mongolia is also a member of the ISO, the FAO/WHO Codex Alimentarius Commission (Codex), and the IEC Affiliate Country Programme. During the review period, the MASM also joined the MRA of the Asia Pacific Accreditation Cooperation (APAC) in 2016, and became a member of the International Accreditation Forum (IAF) in 2018.⁹⁸ The MASM is a signatory to the ILAC/APLAC MRA for the accreditation of testing/calibration laboratories, and it extended its signatory status with inspection bodies in 2016. Also, in 2016, the MASM joined the PAC/Multilateral Recognition Arrangement (MLA) accreditation of quality, environment, and food safety management certification bodies. In 2018, it signed the IAF MLA on Product Certification.

3.102. Mongolia has government-level cooperation agreements on standardization and certification with a number of countries, i.e. the cooperation agreement on the quality certification and mutual recognition of import and export commodities between the Government of Mongolia and the Government of the People's Republic of China, signed in 1994, and the cooperation agreement on the quality of import and export commodities between the Trade Ministry of Mongolia and the Federal Agency of Standardization, Metrology, and Quality Certification of the Russian Federation, signed in 1996. The MASM also has a partnership agreement with the European Committee for Standardization (CEN).

3.3.3 Sanitary and phytosanitary requirements

3.103. The SPS sector has been described as improving in recent years, but a number of challenges remain.⁹⁹ For example, SPS requirements and practices are not fully harmonized with international SPS standards, there is a lack of risk-based inspection, and regulatory and testing systems are noted as needing investment and improvement.¹⁰⁰ As a result, there is a reliance on higher quality imported processed food products, and agricultural exports have not been able to reach their potential. With several government efforts underway to increase agricultural exports, it is important that improvements be made in the SPS infrastructure so that these products can find acceptance in international markets. According to information of the Ministry of Food, Agriculture and Light Industry (MOFALI), Mongolia has 47 companies certified and accredited to export meat and meat

⁹⁵ WTO documents G/TBT/M/80, 24 April 2020; and G/TBT/M/81, 26 June 2020.

⁹⁶ WTO document G/TBT/ENQ/38/Rev.1, 8 July 2011.

⁹⁷ WTO ISO Standards Information Gateway. Viewed at: <https://tbtcode.iso.org/sites/wto-tbt/list-of-standardizing-bodies.html>.

⁹⁸ MASM, *Foreign Relations and Cooperation*. Viewed at: <https://masm.gov.mn/masmj/%d0%b3%d1%85%d1%85%d0%b0/>.

⁹⁹ Asian Development Bank (ADB), *ADB Supports Mongolia's Drive to Boost Food Safety, Exports*, 13 November 2015. Viewed at: <https://www.adb.org/news/adb-supports-mongolia-s-drive-boost-food-safety-exports>.

¹⁰⁰ Central Asia Regional Economic Cooperation (CAREC)/ADB, *Modernizing Sanitary and Phytosanitary Measures in CAREC: An Assessment and the Way Forward*, May 2019. CAREC. Viewed at: <https://www.adb.org/sites/default/files/publication/506151/modernizing-sanitary-phytosanitary-carec.pdf>; and Export.gov, *Mongolia – Agricultural Sector*. Viewed at: <https://www.export.gov/apex/article?id=Mongolia-Agricultural-Sector>.

products to China and 27 to the EAEU market.¹⁰¹ Another impediment to trade has been the reported lack of quarantine facilities at the border.

3.3.3.1 Policy

3.104. Similar to the situation with standards, Mongolia has a number of provisions in the Action Plan of the Government for 2016-20 aimed at further developing the SPS infrastructure and directing its policy. These include:

- establishing an integrated registration and electronic information system for food safety;
- creating conditions that allow citizens to consume healthy and safe food and improving food safety through the establishment of food preparation, processing, storage, transportation, and sales systems;
- registering livestock, improving quality and standards in the preparation of raw products, and introducing an animal husbandry origin system;
- bringing the current veterinary structure up to international standards, ensuring its expeditious and integrated action, taking actions to prevent contagious and zoonotic diseases and implementing a strategy to control and fight these risks at border points, and enhancing possibilities to export raw materials and products originating from livestock; and
- ensuring the supply of healthy and safe food products to the population.¹⁰²

3.105. Several programmes were adopted during the review period that seek to improve the health of humans, plants, or animals, often emanating from the Action Plan of the Government. They include the Mongolian Export Program of 2018, the Healthy Food-Healthy Mongolia Program of 2019, the National Animal Health Program of 2018, and the National Vegetable Program of 2017.¹⁰³ The National Animal Health Program 2018 is particularly concerned with the increase of highly contagious animal diseases, and aims to prevent and reduce the risks by implementing long-term mitigation strategies and improving compliance of the veterinary system with international standards.¹⁰⁴ It had also planned to improve the legal environment of the veterinary sector, which was achieved with the approval of the Law on Animal Health and the Law on Animal Genetic Resources in 2017. The MOFALI is the main administrative organization responsible for developing and implementing government strategies and policies on SPS measures.

3.106. At the beginning of the review period, Mongolia put in place the National Food Security Program, which ran from 2009 to 2016. As part of the Comprehensive National Development Policy, Mongolia established the Program to improve the sanitary and health aspects of the food supply. With relatively little industrial domestic food output, the Program recognized that the majority of the consumption avoided veterinary, sanitary, and phytosanitary controls. As such, it set out to improve food security legislation, improve monitoring and surveillance to ensure food hygiene, and stabilize the food supply.¹⁰⁵ The Program was deemed successful, as it achieved many of its goals, including approving 15 new legal acts, establishing a number of good practices, and introducing an HACCP system regarding food production.

3.3.3.2 Framework

3.107. The basic legal infrastructure on SPS measures remained largely unchanged during the review period, although a number of laws were amended. While there were some improvements, a number of areas with shortfalls regarding alignment of laws with the WTO SPS Agreement or related international agreements or standards remain. For example, Mongolia's laws have not incorporated

¹⁰¹ MOFALI, *Export/Import of Food Raw Materials*. Viewed at: <https://mofa.gov.mn/exp/blog/10/253>.

¹⁰² Ministry of Finance, *Action Program of the Government of Mongolia for 2016-20*. Viewed at: http://www.mfa.gov.mn/wp-content/uploads/2015/06/2016-2020_Gov_AP_Eng_Revised.pdf.

¹⁰³ MOFALI, *National Programs*. Viewed at: <https://mofa.gov.mn/exp/blog/15/28>.

¹⁰⁴ Legalinfo, *National Animal Health Program, Annex to Government Resolution No. 12 of 2018*. Viewed at: <https://www.legalinfo.mn/annex/details/8304?lawid=13230>.

¹⁰⁵ For the full list of objectives, see Legalinfo, *National Food Security Program, Appendix to Resolution No. 32, 4 February 2009*. Viewed at: <https://www.legalinfo.mn/annex/details/2477?lawid=5415>.

any of the International Plant Protection Convention's (IPPC) 1997 International Standards for Phytosanitary Measures (ISPMs). Regarding food safety, discrepancies in definitions between the food laws and the Codex were identified, as well as a lack of a risk-based assessment.¹⁰⁶

3.108. The main laws regarding the SPS sector include the Law on Quarantine and Inspection for Transferring of Animals, Plants, Raw Materials and Products of their Origin through the State Border, the Law on Animal Health, the Law on Plant Protection, and the Law for Ensuring Safety of Food Products (Table 3.22). Most of these laws underwent revisions, albeit minor ones, and thus the main elements remain intact.

3.109. The Law on Quarantine and Inspection for Transferring of Animals, Plants, Raw Materials and Products of their Origin through the State Border remains the main law regulating SPS trade and border matters. It provides for the issuance of import and export certificates, quarantine control and inspection, risk analysis, and the determination of permissible risks. It was amended in 2018 to include specifications on the performance of risk analysis.¹⁰⁷

3.110. The Food Law, 2012, and the Law for Ensuring Safety of Food Products (Food Safety Law), 2012, form the basic framework regarding food safety. The Food Law requires that importers and exporters of food be registered legal entities in Mongolia; that imported food be from an enterprise that is certified as using good practices or adhering to the HACCP system; that imported food made from GMOs is prohibited unless registered accordingly; and that at least two thirds of the shelf life of imported food remains valid. The Food Safety Law prescribes methods and forms of ensuring safety in the food chain, such as implementing a HACCP monitoring system, adhering to Good Hygiene Practices or Good Agricultural Practices, and ensuring proper production practices in all stages of production. The Food Law also provided for the National Food Safety Council, which was set up in 2013, and is responsible for taking urgent measures in the case of risks to human health or food safety, overseeing research on food-borne diseases, and examining the current status of domestic food security.¹⁰⁸

3.111. A number of government resolutions also form the SPS legal structure and support the implementation of the laws. For example, there are a list of diseases subject to quarantine, a list of highly contagious and infectious diseases, measures to establish quarantine-free zones, and procedures to be followed in the case of plant quarantine.¹⁰⁹ Further, a resolution based on the Law on Quarantine and Inspection for Transferring of Animals, Plants, Raw Materials and Products of their Origin through the State Border restricts the import or export of plant seeds, seedlings, breeding animals, and raw meat through certain border crossings.¹¹⁰

Table 3.22 Main laws or resolutions on SPS measures, 2020

Law/resolution	Summary	Reference
Law on Quarantine and Inspection for Transferring of Animals, Plants, Raw Materials and Products of their Origin through the State Border	Regulates veterinary and plant quarantine control and inspection for products that cross international borders	28 November 2002 https://www.legalinfo.mn/law/details/38
Law on Animal Health	Regulates the protection of animal health by ensuring hygiene and sanitation requirements	8 December 2017 https://www.legalinfo.mn/law/details/13026

¹⁰⁶ CAREC/ADB, *Modernizing Sanitary and Phytosanitary Measures in CAREC: An Assessment and the Way Forward*, May 2019. Viewed at: <https://www.adb.org/sites/default/files/publication/506151/modernizing-sanitary-phytosanitary-carec.pdf>.

¹⁰⁷ Legalinfo, *Amendments to the Law on Quarantine and Inspection for Transferring of Animals, Plants, Raw Materials and Products of their Origin through the State Border*, 15 November 2018. Viewed at: <https://www.legalinfo.mn/additional/details/3430?lawid=38>.

¹⁰⁸ Legalinfo, *Annex 1 to Government Resolution No. 78 on Rules of the National Food Safety Council*, 2 March 2013. Viewed at: <https://www.legalinfo.mn/annex/details/5797?lawid=9091>.

¹⁰⁹ MOFALI, *Government resolutions*. Viewed at: <https://mofa.gov.mn/exp/blog/15/97>.

¹¹⁰ Legalinfo, *Government Resolution No. 22 on the Introduction of Plant Seeds, Seedlings, Plants, Breeding Livestock, Raw Meat and Extra Products*, 27 January 2010. Viewed at: <https://www.legalinfo.mn/law/details/4561?lawid=4561>.

Law/resolution	Summary	Reference
Law on Plant Protection (Revised)	Regulates the protection, control, and quarantine of plants from plant diseases, pests, etc.	15 November 2007 https://www.legalinfo.mn/law/details/517
Law on Fortified Food	For the compulsory industrial fortification with vitamins and minerals of certain types of food, including the import, production, export, and control of the concentration	3 May 2018 https://www.legalinfo.mn/law/details/13353
Food Law (Revised)	Regulates accessible, quality, nutritious, and safe food	20 December 2012 https://www.legalinfo.mn/law/details/8912
Law for Ensuring Safety of Food Products	Ensures the safety of food raw materials and products at all stages of the food chain	20 December 2012 https://www.legalinfo.mn/law/details/8911
Law on Organic Food	Regulates organic agricultural production, certification, sale, import, use, and use of symbols	7 April 2016 https://www.legalinfo.mn/law/details/11884
Law on Animal Genetic Resources	Regulates registration, identification, preservation, protection, and sustainable use of genetic resources from livestock and domestic animals	14 December 2017 https://www.legalinfo.mn/law/details/13051
Resolution on Approval of Procedures – National Food Safety Reference Laboratory Procedure; Risk Assessment Procedures	Reorganizes the central laboratory; establishes responsibilities of the National Food Safety Reference Laboratory; provides for the management of the database on food safety indicators; institutes procedures for the risk assessment team	5 October 2013 https://www.legalinfo.mn/law/details/9507
Resolution on Procedure for Pre-shipment Inspection for Imports of High-risk Food	Regulates importation of high-risk food items	12 October 2013 https://www.legalinfo.mn/law/details/9477

Source: Compiled by the Secretariat from the sources indicated in the table.

3.112. The competent authorities for SPS inspection, laboratory tests, and enforcement are the GASI and the GAVS. The GASI is responsible for the inspection of imported and exported foods and products of plant or animal origin, and for ensuring their compliance with standards. The GAVS is responsible for animal health and disease control, including responses to disease outbreaks. It also ensures food safety through the inspection of imports and exports of animals and animal products, in conjunction with other relevant agencies. The MOFALI, the Ministry of Labour and Social Welfare, and the Ministry of Health contribute by defining parameters of food safety for human and animal health. As a result of the new Law on Animal Health, the functions of the GASI and the GAVS changed. Inspection activities are now carried out through both GASI and GAVS central and local specialized inspection organizations. These organizations have the authority to issue import and export certificates and the International Veterinary Certificates, monitor veterinary services, and prohibit the supply of infected food and animals that pose a risk. Plant-based products remain under the inspection purview of the GASI. The Department of the Export and Import Border Inspection continues to operate under the GASI.

3.113. The National Reference Laboratory for Food Safety was established in 2013, and achieved international accreditation pursuant to ISO standard 17025:2007; it has specialized reference expertise to assess biological risks, toxic chemicals, products derived from GMOs, food additives, veterinary drugs, and pesticide residues.¹¹¹ Its responsibilities include assessing risks related to food safety, coordinating with relevant national and regional bodies, providing support for the accreditation of food laboratories, and providing a final validation of results of other accredited laboratories. The Central State Veterinary and Sanitary Laboratory was established for animal health; it is responsible for detecting, diagnosing, and confirming highly contagious, infectious, parasitic, non-infectious, and toxic animal diseases in the territory of Mongolia. By 2020, 66 laboratories were accredited for food testing.¹¹²

¹¹¹ Legalinfo, *Government Resolution No. 330 on Approval of Procedure*, 5 October 2013. Viewed at: <https://www.legalinfo.mn/law/details/9507?lawid=9507>.

¹¹² MOFALI, *Monitoring and Evaluation Report of the National Food Security Program*. Viewed at: <https://mofa.gov.mn/exp/ckfinder/userfiles/files/2016huns.pdf>.

3.3.3.3 Technical assistance, WTO, and international cooperation

3.114. Mongolia is being aided by an ADB loan to upgrade and improve its SPS regime. In particular, it aims to upgrade laboratories, inspection, and quarantine facilities; establish an SPS Information Management System; and align SPS controls and inspections with international standards. The programme timeframe is 2015-21, and is therefore still ongoing, but several goals have been achieved thus far. Mongolia also benefitted from a number of technical assistance activities from other WTO Member donors in recent years, as announced in the WTO SPS Committee.¹¹³

3.115. According to the authorities, Mongolia has been actively participating in the three standards-setting bodies recognized by the WTO: the OIE, Codex, and the IPPC. Furthermore, it plans to increase the number of adopted international standards of Codex for food safety, of the OIE for animal health, and of the IPPC for plant health.

3.116. Mongolia maintains three enquiry points pursuant to the WTO SPS Agreement provisions, for food safety, animal health, and plant health. The main national notification authority is the Food Division of the MOFALI.¹¹⁴ During the review period, no STCs were raised regarding Mongolia, nor did it raise any. Mongolia did not make any notifications of SPS measures to the WTO SPS Committee during the review period; it has made only two notifications to date (more than 15 years ago, on chicken and food/food additives/food packaging).¹¹⁵

3.3.4 Competition policy and price controls

3.117. The main legislation concerning competition policy is the Competition Law, which was first adopted in 1993, and was subsequently amended, including most recently in 2019. The Law seeks to ensure fair competition, establishes the legal and organizational basis for the prohibition and prevention of any activities impeding competition, and addresses the issue of implementation of the Law. According to Article 2 of the Law, other relevant legislation on competition includes the Constitution, the Civil Code, and other related laws. The Law binds both private and state entities, unless activities are related to government assistance in case of natural disasters and other emergencies.

3.118. The Authority for Fair Competition and Consumer Protection (AFCCP) was established in 2004 in accordance with Government Decree No. 222. It is designated as the sole body permitted to investigate alleged anti-competitive practices. The AFCCP is responsible for the enforcement of the Competition Law and other related legislation, including the Law on Consumer Protection, the Law on Advertisement, the Law on Elections, the Law of Mongolian Language, the Public Procurement Law of Mongolia¹¹⁶, the Law on Infringement, and the Law on Infringement Procedure. The AFCCP is headed by the Deputy Prime Minister, and has 36 staff, 7 of whom are competition-enforcing officers.

3.119. The AFCCP is also responsible for the regulation of prices of natural monopolies (Article 6 of the Competition Law). According to Article 5.1 of the Competition Law of Mongolia, a business entity is considered to have a natural monopoly where the average social cost is the lowest when only one entity supplies a certain product to the market. As at February 2020, 151 natural monopoly entities were operating in various sectors, e.g. transport, services, finance, fuels and oil products, shopping centres, the coal market, and communications.¹¹⁷ It is noted that many of these are also state-owned enterprises (Table 3.23). The Competition Law specifies in Article 6.1 that the AFCCP

¹¹³ WTO documents G/SPS/GEN/1139, 13 March 2012, and addenda, G/SPS/GEN/1160, 29 June 2012, and addenda, and G/SPS/GEN/181, 15 June 2000, and addenda.

¹¹⁴ WTO, SPS Information Management System (IMS). Viewed at: <http://spsims.wto.org/en/EnquiryPointsNotificationAuthorities/Search?countryCode=C496&filter=>.

¹¹⁵ WTO, SPS IMS. Viewed at: <http://spsims.wto.org/en/Notifications/Search?DoSearch=True&NotifyingMember=Mongolia&NotificationFormat=s=1&NotificationFormats=7&NotificationFormats=200&NotificationFormats=201&NotificationFormats=202&NotificationFormats=203&NotificationFormats=8&NotificationFormats=9&DisplayChildren=true>.

¹¹⁶ Both the AFCCP and the Ministry of Finance/State Central Administration Body for Budgetary Issues have a potential role in addressing complaints of business entities regarding public procurement; this depends on whether the complaint is made before or after the opening of the bidding process.

¹¹⁷ Regulatory Agency of the Government of Mongolia, Authority for Fair Competition and Consumer Protection of Mongolia, *List of Natural Monopolies*. Viewed at: <https://afccp.gov.mn/dashboard>.

administers activities of natural monopoly enterprises including the granting permissions for any changes in the sales prices depending on the actual costs.

3.120. According to Article 15.1.7 of the Competition Law, the AFCCP can submit proposals to higher government bodies or the administrative court to set aside decisions of public administration, local self-government, and local administrative organizations that are in violation of this Law. Furthermore, the AFCCP performs market studies, which may include an opinion or recommendation regarding anti-competitive matters. It also has the mandate to conduct competition advocacy. In terms of policy, the AFCCP has a strategic plan for 2018-20 that guides its work, and it has developed a national programme on promoting and maintaining market competition.

3.121. Regarding international cooperation, the AFCCP is a member of the International Competition Network, which allows it to reach out to other competition authorities to address concerns. Mongolia also has memoranda of understanding (MOU) on competition matters with Inner Mongolia, China, the Japan Fair Trade Commission, Indonesia's Komisi Pengawas Persaingan Usaha, the Federal Antimonopoly Service of the Russian Federation, and the Turkish Competition Authority.

3.3.5 State trading, state-owned enterprises (SOEs), and privatization

3.122. State ownership of companies continues to be prevalent despite a number of privatization initiatives over the years. More recently, emphasis has been placed on improving the regulatory and legal framework of the sector, and improving public sector management and governance.¹¹⁸ This includes the separation of the Government's role of as regulator from that of owner-investor, although the parameters of how this works are unclear at this time. Mongolia continued with both privatization and nationalization of enterprises during the review period. In 2017, four companies were privatized. The Government also purchased 10.3 million shares (40% of the total) of the Mongolian Telecommunication JSC from the Korea Telecom Corporation. As part of the Action Plan of the Government for 2016-20, Mongolia emphasized transparency in the policy of property privatization, improved the governance of state and rural properties, and developed a partnership between the State and the private sector.

3.123. The Parliament approves privatization plans based on recommendations of the Government; during the review period, one plan was approved for the period 2015-16. The Guidelines for Privatization and Reorganization of State Property in 2015-16 and a list of SOEs to be partially privatized were issued in 2015. They specified the reorganization or privatization of 20 SOEs, and the methodology to do so.¹¹⁹ This was later amended in 2015 and 2016 with respect to the number of entities and/or methodology; thus, ultimately, not all entities were privatized. Often the guidelines are amended, cancelled, or not fully implemented, and therefore they remain in place after the initial dates specified. In 2018, Parliament was set to consider the Draft Guidelines for Privatization and Reorganization of State Property in 2018-20, which specified the privatization or reorganization of 27 SOEs; however, it was not approved.¹²⁰

3.124. During the early part of the review period, the State Property Committee (SPC) was the government agency in charge of general oversight of SOEs. It was responsible for monitoring and implementing the state property legislation, initiating privatization policies and programs, providing instructions for the evaluation of state properties, and leasing state property. However, in 2016, pursuant to a government resolution, the Government Implementing Agency for Policy Coordination on State Property (PCSP) was created to manage state-owned assets of enterprises under the central Government, essentially taking over the functions of the previous SPC.¹²¹

¹¹⁸ ADB, *Sector Assessment (Summary): Public Sector Management (Reforms of State-Owned Enterprises)*. Viewed at: <https://www.adb.org/sites/default/files/linked-documents/49409-001-ssa.pdf>.

¹¹⁹ Legalinfo, *Parliament Resolution No. 70 on Approval of Guidelines for Privatization and Reorganization of State Property in 2015-2016*, 3 July 2015. Viewed at: <https://www.legalinfo.mn/law/details/11232>.

¹²⁰ MNB, *Discussion of the Concept of the Draft Resolution of the State Great Hural on "Approval of the Guidelines for Privatization of State Property in 2018-2020" Has Started*. Viewed at: <http://www.mnb.mn/i/144975>.

¹²¹ Legalinfo, *Government Resolution No. 4 on Some Measures to be Taken about Government Agencies*, 27 July 2016. Viewed at: <https://www.legalinfo.mn/law/details/12061?lawid=12061>.

3.125. The main law governing state enterprises remains the Law on State and Local Property, 1996, which was amended several times during the review period.¹²² It defines an SOE as an enterprise with state-owned shares that is financed from the state budget. The other main elements of the Law include the procedures for the acquisition, transfer, or sale of state property; the management of state property; the role and powers of the state administrative body in charge of the state property; the privatization programme and methods; and social sector reform matters.

3.126. State-owned companies take several forms including SOEs, limited liability companies (LLCs), and joint-stock companies (JSCs). As at July 2020, there were 105 state-owned companies in Mongolia; a significant number of which were concentrated in the energy, mining, and transport sectors (Table 3.23). The majority of enterprises were under the supervision of the PCSP, six were under the supervision of the Ministry of Finance, and 15 were part of Erdenes Mongol LLC. During the review period, Erdenes Mongol LLC was further developed as a holding company SOE that controls and focuses on providing an integrated strategy and management for its subsidiaries, associates, joint companies, and projects.¹²³ Initially, it controlled four mining companies, but it expanded to control a number of other enterprises in other sectors, such as oil and gas, hospitality, road maintenance, and finance.¹²⁴ It was valued at MNT 11.8 trillion at the end of 2018, and, in 2019, profits grew significantly to MNT 13.6 billion; this was attributed to the growth of the Mongolian economy and the increase in coal prices.¹²⁵

3.127. According to the authorities, Mongolia does not maintain any state trading entities pursuant to the provisions of Article XVII of the GATT 1994 or the WTO Understanding on the Interpretation of Article XVII. However, the AFCCP designates natural or permitted monopolies, several of which operate with exclusivity in several import or export markets, e.g. the import or export of coking coal, sugar, baby formula, gasoline, jet fuel, soap, and sanitary ware.¹²⁶

Table 3.23 State-owned companies, by sector, 2020

Company	Percentage of state ownership
Mining	
Erdenet Mining Corporation SOE	100
Mongolroostsvetmet SOE	100
Central Geological Laboratory SOE	100
Geological Research Center SOE	100
Erdenes Mongol LLC	100
Erdenes Tavan Tolgoi JSC	100
Baganuur JSC	75
Shivee-Ovoo JSC	90
Tavan Tolgoi Fuel LLC	100
Mongolian Oil Refinery SOE	100
Oyu Tolgoi JSC	34
Erdenes Ashid LLC	34
Erdenes Steel LLC	50
Germon Gas LLC	51
Erdenes MGL LLC	100
Erdenes Oyu Tolgoi LLC	100
Mon-Atom LLC	100
Erdenes Gold Resources LLC	100
Erdenes Silver Resources LLC	100
Erdenes Methane LLC	100
Energy	
Thermal Power Plant-2 JSC	100

¹²² Legalinfo, *Law on State and Local Property*, 27 May 1996. Viewed at: <https://www.legalinfo.mn/law/details/492?lawid=492>.

¹²³ Erdenes Mongol LLC is the holding company of the following SOEs: Erdenes Tavan Tolgoi JSC, Baganuur JSC, Shivee-Ovoo JSC, Erdenes Oyu Tolgoi LLC, Erdenes Gold Resource LLC, Erdenes Silver Resource LLC, Erdenes Asset Management LLC, Erdenes Shivee Energy LLC, Mon-Atom LLC, Gashuun Sukhait Road LLC, Erdenes Methane LLC, Erdenes Ashid LLC, Erdenes Steel LLC, Erdenes Commodity Exchange LLC, Erdenes Rare Earth Elements R&D Unit, and Shivee Energy Complex Project of Energy Export.

¹²⁴ Natural Resource Governance Institute, *What Does Edenes Mongol Do and Is It Profitable?* Viewed at: <https://resourcegovernance.org/sites/default/files/documents/what-does-erdenes-mongol-do-and-is-it-profitable.pdf>.

¹²⁵ Information provided by the authorities.

¹²⁶ AFCCP. "List of Natural or Permitted Monopolies." Viewed at: <https://afccp.gov.mn/>.

Company	Percentage of state ownership
Thermal Power Plant-3 JSC	100
Thermal Power Plant-4 JSC	100
Darkhan TPP JSC	100
Erdenet TPP JSC	100
Ulaanbaatar Electricity Distribution Network JSC	100
Ulaanbaatar Heating Network JSC	100
National Electricity Transmission Network JSC	100
Darkhan Heating Network JSC	100
Erdenet-Bulgan Electricity Distribution Network JSC	100
Energy System of Dornod Region JSC	100
Dalanzadgad TPP JSC	100
Baganuur Southeastern Region Electricity Distribution Network JSC	100
Western Region Energy System JSC	100
Nalaikh DS JSC	100
Southern Region Electricity Distribution Network JSC	100
Altai-Uliastai Power Plant JSC	100
Dulaan Shar Gol JSC	100
Khuvsgul Thermal Power Plant JSC	100
Institute of Energy Economics SOE	100
National Center for Renewable Energy SOE	100
Energy Development Center SOE	100
Baganuur DS JSC	100
Erdenes Shivee Energy LLC	50
Zamiin-Uud DS SOE	100
Khovd DS JSC	100
Amgalan DS JSC	100
Ulaangom DS-2 JSC	100
Tavan Tolgoi DS LLC	100
Egiin Gol Hydro Power Plant JSC	100
National Dispatch Center LLC	100
Road transport	
MIAT JSC	100
Mongolian Railway JSC	100
National Center for Road Transport SOE	100
Road and Transportation Development Center SOE	100
Bayanchandmani AZZA JSC	100
Nalaikh AZZA JSC	100
Darkhan AZZA JSC	100
Selenge AZZA JSC	100
Dornogov AZZA HC	100
Khushigiin Khundii Airport LLC	100
Kharkhorin AZZA JSC	100
Uvurkhangai AZZA JSC	100
Arkhangai AZZA JSC	100
Bulgan AZZA	100
Orkhon AZZA JSC	100
Khuvsgul AZZA JSC	100
Tuv AZZA JSC	100
Hovd AZZA JSC	100
Uvs AZZA JSC	100
Govi-Altai AZZA JSC	100
Zavkhan AZZA JSC	100
Erdenesant AZZA JSC	100
Baganuur AZZA JSC	100
Hargui JSC	100
Taliin Zam JSC	100
New Ulaanbaatar International Airport LLC	49
Ulaanbaatar Railroad JSC	50
Avtoimpex JSC	51
Gashuun Sukhait Road LLC	100
Communications	
Information and Communication Network LLC	100
Mongolian Telecommunication JSC	94.67
Mongol Post JSC	66
Public service	
Mongolian Film Consolidation SOE	100
White Falcon SOE under the General Police	100
Buyant-Ukhaa Sports Palace SOE	100

Company	Percentage of state ownership
Sports Training Center state enterprise in Khangal soum of Bulgan aimag	100
Liquid Fuel Transshipment Facility SOE	100
Diplomatic Service Agency SOE	100
National Park of Information Technology	100
Technical Sports Center SOE	100
Mongol Us SOE	100
Resorts	
Tourism Development Center SOE	100
Mongolian Kuwait Environmental Protection Center SOE	100
Housing	
Construction and Development Center SOE	100
State Housing Corporation LLC	100
Agriculture	
Light Industry Research, Testing and Production Business Corporation SOE	100
Financial, banking, and stock exchange	
Mongolian Minerals Exchange LLC	100
Agricultural Exchange LLC	100
Mongolian Stock Exchange JSC	100
State Bank	100
Central Securities Depository LLC	100
Commercial Settlement LLC	100
Development Bank LLC	100
National Reinsurance JSC	100
Erdenes Asset Management LLC	100

Source: PCSP, *State and State-owned Companies*. Viewed at: <http://www.pcsp.gov.mn/#>; and information provided by the authorities.

3.3.6 Government procurement

3.128. Mongolia is not a signatory to the WTO plurilateral Agreement on Government Procurement (GPA). It has been an observer to the Committee on Government Procurement since 1999, and plans to conduct an internal survey regarding whether to join the GPA.

3.129. Annual spending on public procurement was MNT 2,643.0 billion in 2019, up from MNT 1,442.1 billion in 2018 (Table 3.24). Around 87% of government procurement was conducted through open bidding in 2019.

3.130. Since 2008, the Government has been working to introduce international best practices in public procurement by improving its relevant laws and regulations. The Public Procurement Law of Mongolia (PPLM), adopted in 2011 and subsequently amended, regulates all stages of the procurement process. The most recent amendments entered into force in 2019, and introduced significant changes to the public procurement process by: (i) implementing a preconditioned procurement procedure¹²⁷ and a "green procurement" concept¹²⁸; (ii) clarifying the roles and responsibilities of procurement inspectors; and (iii) providing for an additional condition for forfeiting bid securities. The PPLM stipulates four procurement methods: open bidding, price quotations, direct contracting, and limited bidding.

¹²⁷ Under preconditioned procurement, a procuring entity may start conducting a procurement process before the necessary funding is approved by Parliament. In such cases, a contract should be awarded only after Parliament approves the state budget or ratifies international agreements on obtaining loans or grants in which such funding is stipulated. A preconditioned procurement procedure is to be adopted by the Ministry of Finance.

¹²⁸ According to the authorities, the concept of green procurement includes purchasing goods and services designed or designated to ensure: (i) the efficient use of energy and natural resources; (ii) the sustainability of ecosystem services; and (iii) climate change adaptation.

Table 3.24 Government procurement, based on procurement methods, 2014-19

(MNT billion)

	Open bidding	Price quotations	Direct contracting	Limited bidding	Total
2014	956.1	60.4	25.4	4.4	1,046.3
2015	676.2	40.3	140.4	8.3	865.2
2016	390.1	70.9	145.7	241.4	848.1
2017	753.2	74.5	65.8	148.8	1,042.3
2018	1,264.9	102.7	39.2	35.3	1,442.1
2019	2,300.8	159.6	177.5	5.1	2,643.0

Source: Information provided by the authorities.

3.131. The PPLM regulates the procurement activities of the central and local governments. Legal entities with 50% or more of state or local government participation are considered to be procuring entities. The Ministry of Finance is the central public procurement agency; it administers the government policy and methodology, and oversees procurement. The State Central Administrative Body for Budgetary Issues administers the public procurement policy and methodology, and oversees compliance. It is also responsible for the organization and implementation of large procurement projects. Procuring entities organize the procurement of goods, works, and services financed with funds and other resources allocated from the central or local budgets for expenditures other than an investment, and with its own funds.

3.132. No data are available regarding foreign suppliers' participation in the public procurement market. The 2019 amendment of the PPLM introduced additional preferences for domestic manufacturers. A list of goods to be supplied only by domestic manufacturers, as proposed by the relevant ministry, was issued in the Government Decree No. 336, 2015. Furthermore, the PPLM provides for value thresholds for participation of foreign suppliers in public procurement. In 2019, 27 foreign suppliers participated in 67 bidding processes, and in 2020, 42 foreign suppliers participated in 169 bidding processes. According to the PPLM, a foreign entity is allowed to submit a tender in bidding processes for works with cost estimates of above MNT 10,000,000,001, and for goods and services with cost estimates of above MNT 100,000,001.

3.133. As part of the plan to align with best international practices, Mongolia established an electronic procurement (e-procurement) system, which facilitates the purchase and sale of supplies, services, and works through the Internet. The e-procurement system (www.tender.gov.mn) has been operational since 2017. The Ministry of Finance is responsible for administering the e-procurement system; publishing public procurement plans, reports, bid announcements, and results; and implementing contracts (Article 53 of the PPLM). In 2019, the Minister of Finance approved the Regulation on Organizing an Online Bidding through Public Procurement Online System and Publishing Bid Notices and Results by Decree No. 255, which established rules regarding the online bidding process. Around 98% of public procurement is carried out electronically.

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.134. In 2015, Mongolia adopted the National Strategy for the Development of Intellectual Property. The strategy was implemented between 2015 and 2018. Mongolia received legislative assistance in 2017 from WIPO in the area of patent and industrial design rights. Subsequently, legislation was drafted to revise existing IP laws, namely the Patent Law, the Law on Copyright and Related Rights, and the Law on Trade Marks and Geographical Indications. The Patent Law of 25 June 1993 was amended in September 2016. Parliament adopted the Law on Intellectual Property on 23 January 2020, and it will enter into force on 1 December 2020. According to the authorities, the Law aims to address overlaps, conflicts, and other issues within existing IP laws.

3.135. The protection and enforcement of intellectual property rights (IPRs) is regulated by the main IP laws, including the Patent Law (as amended in September 2016), the Law on Trade Marks and Geographical Indications (as last amended in June 2010), the Law on Copyright and Related

Rights (as last amended in January 2006), the Law on Technology Transfer (1998), the Law on Infringement (2017), and the Customs Law (1996).

3.136. In 2019, Mongolia ranked 53rd of 129 countries in the WIPO Global Innovation Index, with particular strengths in, for example, knowledge creation, output of intangible assets such as trademarks and industrial designs, and output of creative goods and services such as national feature films. In terms of economic benefit, the Law on Intellectual Property of 23 January 2020 will expand the scope of rights for IPR holders, as well as state support for the exploitation of IPRs.¹²⁹

3.137. The Intellectual Property Office of Mongolia (IPOM), under the Ministry of Justice and Internal Affairs, administers IPRs, enforces IP-related legislation, and settles disputes and grievances. IPOM decisions may be referred to the courts by the disputing parties.

3.138. Table 3.25 and Table 3.26 show recent data on IPR-related applications and registrations, respectively.

Table 3.25 Annual statistics on IPR protection, applications

IPR	2014		2015		2016		2017		2018	
	Resident	Non-resident	Resident	Non-resident	Resident	Non-resident	Resident	Non-resident	Resident	Non-resident
Patents	139	126	109	128	112	107	124	104	82	79
Trademarks	1,026	2,325	1,197	2,233	1,138	2,076	1,351	2,352	1,431	2,601
Industrial design	257	201	0	0	127	160	162	149	140	135
Utility model	190	2	149	0	204	2	255	0	224	0
Geographical indications	5	1	2	0	1	0	1	1	0	1

Source: WIPO IP Statistics Data Center, and information provided by the authorities.

Table 3.26 Annual statistics on IPR protection, registrations

	2013	2014	2015	2016	2017	2018	2019
Patents	203	223	232	158	104	45	177
Industrial designs	99	80	76	135	101	121	140
Trademarks	3,147	3,724	3,504	1,118	3,318	3,505	3,929
Geographical indications	1	4	1	3	2	0	1

Source: IPOM data provided by the authorities.

3.139. The RTA between Japan and Mongolia entered into force on 7 June 2016. It contains a chapter with detailed provisions on IP protection and enforcement.¹³⁰ For example, Article 12.7 of the RTA requires, *inter alia*, parties to ensure that patent applications are not rejected solely on the grounds that the subject matter is related to a computer programme.

3.140. Mongolia has been a member state of WIPO since 1979.¹³¹ Table 3.27 show Mongolia's membership in WIPO-administered treaties.

Table 3.27 Membership in WIPO-administered treaties

Treaty/Convention	Date	In force
Convention Establishing the World Intellectual Property Organization	Accession: 28 November 1978	28 February 1979
Madrid Agreement Concerning the International Registration of Marks	Accession: 16 January 1985	21 April 1985

¹²⁹ LehmanLaw Mongolia LLP, *Registering Your IP with Mongolia Customs*, 9 November 2020. Viewed at: <http://lehmanlaw.mn/blog/>.

¹³⁰ WTO, Regional Trade Agreements Database. Viewed at: <http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=835>.

¹³¹ WIPO, *Mongolia*. Viewed at: https://www.wipo.int/members/en/details.jsp?country_id=117.

Treaty/Convention	Date	In force
Paris Convention for the Protection of Industrial Property	Accession: 16 January 1985	21 April 1985
Patent Cooperation Treaty	Accession: 17 February 1991	27 May 1991
Hague Agreement Concerning the International Registration of Industrial Designs	Accession: 12 March 1997	12 April 1997
Berne Convention for the Protection of Literary and Artistic Works	Accession: 12 December 1997	12 March 1998
Locarno Agreement Establishing an International Classification for Industrial Designs	Accession: 16 March 2001	16 June 2001
Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks	Ratification: 16 March 2001	16 June 2001
Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks	Accession: 16 March 2001	16 June 2001
Strasbourg Agreement Concerning the International Patent Classification	Accession: 16 March 2001	16 March 2002
Nairobi Treaty on the Protection of the Olympic Symbol	Accession: 25 July 25 2002	25 August 2002
WIPO Copyright Treaty	Ratification: 25 July 2002	25 October 2002
WIPO Performances and Phonograms Treaty	Ratification: 25 July 2002	25 October 2002
Singapore Treaty on the Law of Trademarks	Accession: 3 December 2010	3 March 2011
Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled	Ratification: 23 September 2015	30 September 2016
Beijing Treaty on Audiovisual Performances	Signature: 26 June 2012	Not yet entered into force

Source: WIPO. Viewed at: https://www.wipo.int/treaties/en/ShowResults.jsp?country_id=117C.

3.3.7.2 Copyright and related rights

3.141. The Law on Copyright and Related Rights, revised in 2006, regulates matters related to the protection of copyright and issues arising in connection with the use of works that are subject to copyright. Under the Law on Copyright and Related Rights and the Law on Infringement, pirated websites will be taken down by the Communications Regulatory Commission of Mongolia at the request of the IPOM.

3.142. Following the ratification and revision of the Laws on Government, Criminal Law, and Infringement Law, minor amendments were made to the laws in 2015, 2016, and 2017, respectively. After ratification, the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled entered into force in 2017. Domestic and foreign right holders enjoy equal protection and treatment.

3.3.7.3 Industrial property

3.3.7.3.1 Overview

3.143. The Patent Law of 25 June 1993 (as amended in September 2016) contains provisions on the acquisition, maintenance, and protection of inventions, product designs, and utility models. The IPOM may grant compulsory licences with respect to a patented invention, industrial design, or utility model at the request of an interested person in the following cases: (i) if the use is for essential social needs, such as food supply or healthcare; (ii) if the patent has not been exploited for a period of three years from the date of its granting; or (iii) if the patentee considers a licensee's use to constitute unfair competition. The IPOM has not issued any compulsory licences.

3.144. The Law on Trade Marks and Geographical Indications (as last amended in June 2010) provides for the acquisition, maintenance, and protection of trademarks, service marks, collective marks, certification marks, and geographical indications.

3.145. Applicants and right holders need to pay service fees as stipulated in the internal rules and regulations indicated in the Patent Law and the Law on Trade Marks and Geographical Indications (Table 3.28).

Table 3.28 Payable fees

(MNT)

Item	Application	Transfer of right	Address change	Re-issue	Issue of patent certificate
Trademark	20,000	10,000	10,000	30,000	15,000
Utility model	10,000	10,000	10,000	30,000	10,000
Invention	20,000	10,000	10,000	30,000	15,000
Industrial design	16,000	10,000	10,000	30,000	15,000

Source: IPOM, *Service Fees*. Viewed at: <https://www.ipom.gov.mn/index.php?pid=52&nid=169>.

3.3.7.3.2 Trademarks and geographical indications

3.146. As at 11 August 2016, the WIPO Global Brand Database of trademarks included Mongolian trademarks.¹³² Mongolia's methods of protecting trademark and geographical indications, including the examination process, maintenance, and term of protection, remained largely unchanged since the previous Review.¹³³

3.147. The EU-Mongolia Partnership and Cooperation Agreement entered into force on 1 November 2017, and it states, *inter alia*, that the parties will conclude an agreement on geographical indications.¹³⁴ According to a roadmap published by the European Commission, the Agreement would cover EU products in Mongolia and Mongolian products commercialized in the European Union that bear geographical indications.¹³⁵ As at June 2019, 20 geographical indications were registered.¹³⁶ Regarding the protection of goods with a specific geographical origin, Mongolia, as the world's second largest cashmere producer and accounting for approximately 25% of global production, protects its cashmere's reputation through two certification marks of the Mongolian Fiber Mark Society: Pure Mongolian Cashmere and Made With Mongolian Cashmere.¹³⁷

3.3.7.3.3 Design protection

3.148. Under the Patent Law, product design patents are valid for 10 years after the application filing, and such patents are granted if the design of a product is new, decorative, or unique. The examination process shall be completed within 9 months of the filing date; if required, the period may extend up to 12 months.

3.3.7.3.4 Patents

3.149. Unchanged since the previous Review, patent protection is provided for 20 years after the application filing, and patents are granted for products and processes that are new, involve an inventive step, and are capable of industrial application. The examination process shall be completed within 9 months of the filing date; if required, the period may extend up to 12 months.

3.150. During the review period, the protection of patents, including the examination process, maintenance, and term of protection, remained largely unchanged.¹³⁸ Article 29 of the Patent Law

¹³² WIPO, *Mongolian Trademarks Added to the Global Brand Database*, 11 August 2016. Viewed at: https://www.wipo.int/reference/en/branddb/news/2016/news_0006.html.

¹³³ WTO document WT/TPR/S/297/Rev.1, 12 December 2014.

¹³⁴ European Commission, *Roadmap, Food Quality Schemes – EU-Mongolia Agreement on Geographical Indications*. Viewed at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11824-EU-Mongolia-agreement-on-protection-of-geographical-indications>.

¹³⁵ European Commission, *Roadmap, Food Quality Schemes – EU-Mongolia Agreement on Geographical Indications*. Viewed at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11824-EU-Mongolia-agreement-on-protection-of-geographical-indications>.

¹³⁶ European Commission, *Roadmap, Food Quality Schemes – EU-Mongolia Agreement on Geographical Indications*. Viewed at: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/11824-EU-Mongolia-agreement-on-protection-of-geographical-indications>.

¹³⁷ WIPO, *Case Study: Protecting Tradition and Revitalizing a National Brand*, 26 September 2012. Viewed at: <https://www.wipo.int/ipadvantage/en/details.jsp?id=3109>.

¹³⁸ WTO document WT/TPR/S/297/Rev.1, 12 December 2014.

on the enforcement of patent legislation and copyright and patent rights was amended in December 2015; the revised Patent Law entered into force on 1 September 2016.¹³⁹ The amendment provides for civil and criminal remedies to enforce IPRs.

3.3.7.3.5 Utility models

3.151. Under the Patent Law, a utility model certificate is valid for seven years from the filing date; this duration has remained unchanged since the previous Review. Utility model certificates are granted for new technical solutions related to production tools, instruments, and methods that can be used in production. Within one month of the filing date of the application, the IPOM shall examine whether the application meets the requirements for registration. The IPOM shall issue a utility model certificate within one month of the date of the examiner's conclusion that it is possible to register as a utility model.

3.3.7.3.6 Plant variety protection

3.152. The Law on Crop Varieties and Seeds, as amended in 2011, regulates matters related to preserving the crop gene pool, testing and certifying varieties, controlling the quality of varieties and seeds, and maintaining and disposing of national crop reserves.

3.153. In June 2019, the MOFALI submitted to Parliament a draft Law on Seed and Variety (Draft Law).¹⁴⁰ In November 2019, the International Union for the Protection of New Varieties of Plants (UPOV) decided on the conformity of the relevant parts of the Draft Law with the provisions of the UPOV Act, 1991, which would allow Mongolia, once the Law was in force, to deposit its instrument of accession to the Act.¹⁴¹ As at April 2020, Mongolia was in the process of acceding to the Act.¹⁴²

3.3.7.4 Enforcement

3.154. The Law on Infringement entered into force in 2017. The State Intellectual Property Inspectors of the IPOM Enforcement Department are responsible for enforcing IPR-related laws under the prosecutor's supervision in accordance with the Law on Infringement and its procedure. Since 2013, the Enforcement Department has conducted 1,414 cases and determined 1,230 IPR infringements (Table 3.29).

Table 3.29 IP enforcement statistics, 2013-19

Items	2013	2014	2015	2016	2017	2018	2019
Inspections conducted	202	285	248	214	186	256	291
Inspections planned	65	5	16	29	6	69	150
Follow-up of complaints	137	270	232	185	180	147	141
Follow-up of public media information	6	10	12	4	3	1	2
Entities inspected	142	379	176	86	298	0	98
Citizens inspected	80	102	242	231	1,718	0	43
Infringements	188	367	387	428	832	46	41
Confiscated goods (MNT million)	0.7	20.4	16.5	3.3	3.5	37.0	5.1
Fines (MNT million)	21.4	6.0	6.3	6.8	6.8	95.7	109.0
Transferred to police action	0	1	0	0	0	0	0
Expert opinion	78	115	26	34	18	3	6
Notification	88	0	0	26	45	36	76
Acts	21	27	14	39	44	0	0

Source: IPOM data, provided by the authorities.

¹³⁹ WIPO IP Portal, *Patent Law of Mongolia of June 25, 1993 (as amended up to September 1, 2016)*. Viewed at <https://wipolex.wipo.int/en/legislation/details/16223>.

¹⁴⁰ FAO, *Aiming for Effective Seed and Variety Management System*, 11 June 2019. Viewed at: <http://www.fao.org/mongolia/news/detail-events/ar/c/1200186/>.

¹⁴¹ UPOV, *Report of Fifty-third Ordinary Session*, UPOV document C/53/15, Geneva, 1 November 2019. Viewed at: https://www.upov.int/edocs/mdocs/upov/en/c_53/c_53_15.pdf.

¹⁴² UPOV, *Status in Relation to the International Union for the Protection of New Varieties of Plants (as of April 28, 2020)*. Viewed at: <https://www.upov.int/export/sites/upov/members/en/pdf/status.pdf>.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

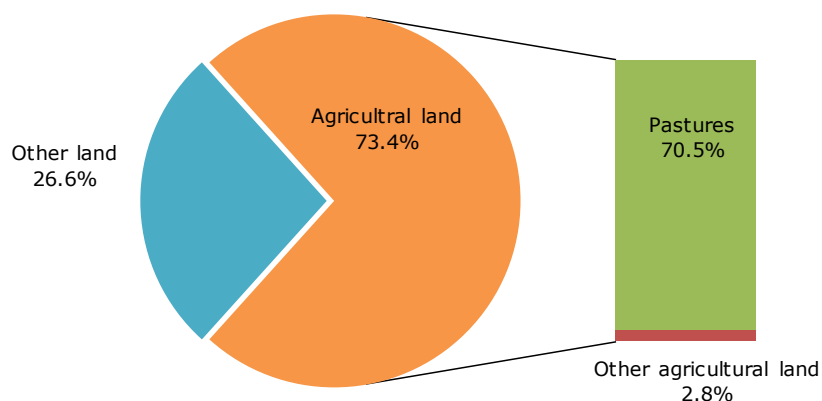
4.1.1 Agriculture

4.1. Agriculture remains integral to Mongolia's long-term development strategy and its sustainable development goals. Despite the country's challenging environment and short growing season, agriculture has long played an important and central part in Mongolia's economy, employment, trade, and identity, as it was traditionally the main economic sector before the discovery of major mineral resources. More recently, Mongolia placed further ambitions on agriculture as part of its diversification strategy to alleviate heavy reliance on the mining sector. Agriculture remains the second most important sector in the economy after mining.

4.2. In 2019, the agricultural sector¹ accounted for 10.9% of GDP, a level that declined during the review period from 13.4% in 2013.² Agriculture's contribution to employment has also been important historically, and while it stood at 25% in 2019, it declined steadily from 30% in 2013. Despite these slight contractions, agricultural output and exports continued to grow. The Government stressed the importance of improving the value added in the sector by increasing processing, as opposed to only producing/exporting raw materials. This shift began to have an impact as output increased and the processed food and cashmere sectors expanded significantly (Section 4.3).

4.3. As at 2019, 73.4% of the territory was agricultural land, but most of it was pastures for grazing (Chart 4.1).³ Only 1.1 million hectares, or 1%, is arable land suitable for crop production; most arable land is used to produce wheat. According to the Land Law, pastureland is to be used for a common purpose pursuant to government regulation. Foreigners, both persons and legal entities, may use land for a specific purpose subject to a specific timeframe.⁴ While abundant, Mongolia's pastureland is described as ecologically fragile and subject to environmental degradation. Due to Mongolia's climate, agricultural production (both crops and livestock) can vary significantly year to year as a result of droughts, floods, dzud (severe winter), cold, and the growing season. The sector faces a number of additional challenges, such as proximity to markets, the compatibility of sanitary and veterinary standards with international standards (Section 3.3.3), lack of access to financing, and relatively little use of irrigation.

Chart 4.1 Agricultural land, 2019



Note: "Other land" includes land of cities, villages and other settlements, land under roads and networks, land with forest and water resources, and land for special needs. "Other agricultural land" includes meadows, arable and fallow land, land for agricultural building and structures, and land n.e.s.

Source: National Statistics Office of Mongolia, *Mongolian Statistical Yearbook, 2019*.

¹ Including forestry and fishing, at current prices.

² National Statistics Office, *Mongolian Statistical Yearbook, 2019*. Viewed at: <https://1212.mn/BookLibrary.aspx?category=007>.

³ National Statistics Office, *Mongolian Statistical Yearbook, 2019*. Viewed at: <https://1212.mn/BookLibrary.aspx?category=007>.

⁴ FAO, *Mongolia: Prevailing Systems of Land Tenure*. Viewed at: http://www.fao.org/gender-landrights-database/country-profiles/countries-list/land-tenure-and-related-institutions/en/?country_iso3=MNG.

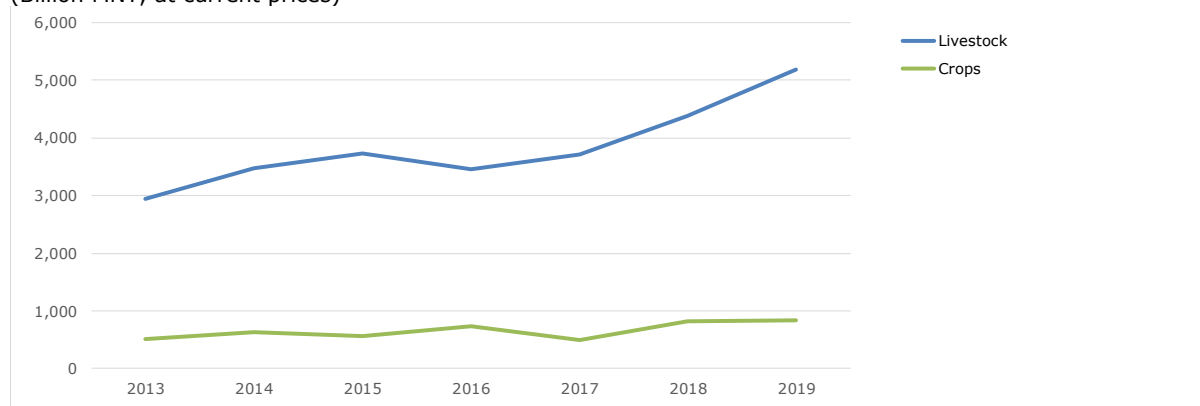
4.1.1.1 Production and trade

4.4. Growth in the production of agricultural products continued steadily throughout the review period in most categories, but some outpaced others (Table 4.1). During the review period, growth was particularly strong in the livestock sector, increasing by MNT 2,245 billion (76%), compared with crops (MNT 326 billion) (Chart 4.2) (see discussion of livestock in Section 4.1.1.4.2). Mongolia is self-sufficient in many agricultural commodities, and thus is a net exporter of many livestock products including wool and cashmere, but a net importer of agricultural products overall. Due in part to its climatic conditions, Mongolia remains a significant importer of fruits and vegetables. In recent years, it was also a net importer of dairy products, grains, and sweeteners.⁵

4.5. In terms of crops, a small but steady increase occurred in the number of hectares sown each year, from 418,000 hectares to 526,000 hectares during the review period, an increase of 26%. As a result, crop output also generally increased, although some crops fluctuated significantly (Table 4.1). However, the land sown is still lower than the peak of about 800,000 hectares in 1990. As at 2019, the main crops in terms of area sown were cereals⁶ (71%), fodder (8%), and potatoes (3%).⁷ Significant growth was achieved in the production of fodder, which is increasingly needed to support livestock, due to the degradation or overuse of pastureland. Crop harvest output and yields are largely determined by climate change, i.e. average temperatures and precipitation during the growing season.⁸ By international standards, crop yields remain low, also due to poor seed quality, lack of mechanization, and plant diseases.⁹

Chart 4.2 Gross output of livestock and crops, 2013-19

(Billion MNT, at current prices)



Source: National Statistics Office, *Mongolian Statistical Yearbook, 2019*.

⁵ National Statistics Office, *Indicators for Food Security Statistics, 2018*. Viewed at: http://1212.mn/BookLibraryDownload.ashx?url=Food_security_report-2018_en.pdf&ln=Mn.

⁶ Mostly wheat.

⁷ National Statistics Office, *Socio-economic Situation of Mongolia, 2019/12*. Viewed at: https://1212.mn/BookLibraryDownload.ashx?url=Bulletin_2019_12_en.pdf&ln=En.

⁸ National Statistics Office, *Socio-economic Situation of Mongolia, 2019/12*. Viewed at: https://1212.mn/BookLibraryDownload.ashx?url=Bulletin_2019_12_en.pdf&ln=En.

⁹ Asian Development Bank (ADB), *Agriculture Development in the Central Asia Regional Economic Cooperation Program Member Countries*. Viewed at: <https://www.adb.org/sites/default/files/publication/549916/agriculture-development-carec-countries.pdf>.

Table 4.1 Production of selected agricultural products, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Potatoes							
Area harvested ('000 ha)	15.5	13.2	12.8	15.0	15.1	12.9	14.9
Production ('000 tonnes)	191.6	161.5	163.8	165.3	121.8	168.9	192.2
Cereals							
Area harvested ('000 ha)	293.3	315.0	390.7	377.8	390.9	366.8	369.4
Production ('000 tonnes)	387.0	518.8	216.3	483.5	238.1	453.8	433.3
Vegetables							
Area harvested ('000 ha)	8.3	8.7	7.7	9.1	8.4	8.9	8.4
Production ('000 tonnes)	101.8	104.8	72.3	94.4	82.1	100.7	99.5
Horses							
Stock ('000 animals)	2,619.4	2,995.8	3,295.3	3,635.5	3,939.8	3,940.1	4,214.8
Camels							
Stock ('000 animals)	321.5	349.3	368.0	401.3	434.1	459.7	472.4
Cattle							
Stock ('000 animals)	2,909.5	3,413.9	3,780.4	4,080.9	4,388.5	4,380.9	4,753.2
Cattle meat ('000 tonnes)	57.7	54.9	93.2	92.4	97.7	126.6	119.4
Goats							
Stock ('000 animals)	19,227.6	22,008.9	23,592.9	25,574.9	27,346.7	27,124.7	29,261.7
Cashmere ('000 tonnes)	7.0	7.7	8.9	9.4	10.2	10.9	10.9
Sheep							
Stock ('000 animals)	20,066.4	23,214.8	24,943.1	27,856.6	30,109.9	30,554.8	32,267.3
Wool ('000 tonnes)	20.2	22.3	25.8	27.4	30.6	33.0	33.7
Sheep and goat meat ('000 tonnes)	155.0	151.8	220.9	193.1	207.5	236.3	264.8
Fodder ('000 tonnes)	42.6	44.3	49.2	53.4	47.9	123.8	121.1
Industrial crops ('000 tonnes)	41.7	52.1	23.1	21.5	13.9	23.9	34.0
Fruit ('000 tonnes)	1.6	1.2	1.4	1.6	1.5	1.7	1.8
Milk ('000 tonnes)	667.0	765.4	874.4	891.5	919.5	902.4	1,074.2
Hides and skins ('000 tonnes)	11.0	10.2	15.2	14.0	14.5	19.3	19.6

Source: National Statistics Office, *Mongolian Statistical Yearbook, 2019*.

4.6. The main agricultural exports are washed cashmere, horse meat, and other prepared and preserved meat (i.e. ham, sausage, jerky, and offal) (Table 4.2). The top trade items remain stable, as cashmere continues to be the dominant agricultural export by far. While cashmere grew significantly throughout the review period, so did the export of horse meat, from USD 7.6 million in 2013 to USD 57.7 million in 2019. The main reasons for this growth were: (i) the number of producers with approval to export to China increased from 8 to 12; and (ii) the export market expanded slightly.

4.7. Tobacco products continue to be the main imported product, accounting for USD 61.1 million in 2019, followed by processed food preparations, and a number of other processed agricultural goods (e.g. chocolate, sugar, bread, beverages, and pasta) (Table 4.2). Despite efforts to process more food domestically, imported processed food continued to increase steadily and reached an all-time high of USD 444 million in 2019.¹⁰

4.8. Mongolia continues efforts to increase agriculture exports through a number of government policies, in particular regarding livestock products. However, this sector faces certain non-tariff issues, such as the need to meet food quality standards, SPS measures, and preservation during transport. While there have been inroads in addressing these issues (Sections 3.3.3 and 4.1.1.4.2), the amount of meat exports remains small, except for horse meat. The milk and dairy sector is another area that was identified as having more potential for production and export. The production

¹⁰ National Statistics Office, *Socio-economic Situation of Mongolia, 2019/12*. Viewed at: https://1212.mn/BookLibraryDownload.ashx?url=Bulletin_2019_12_en.pdf&ln=En.

of milk nearly doubled, but the lack of dairy-processing facilities, the inability to meet food standards, and the lack of packaging and marketing limit its potential for export.¹¹

Table 4.2 Main agricultural exports and imports, 2013-19

HS code/description		2013	2014	2015	2016	2017	2018	2019
Exports								
5102 - Fine or coarse animal hair, not carded or combed	Value (USD million)	193.9	235.7	212.9	211.8	227.2	281.1	302.8
	Volume ('000 tonnes)	6.5	7.2	7.0	7.8	8.3	9.5	8.8
0205 - Meat of horse	Value (USD million)	7.6	5.0	7.3	14.4	44.5	65.0	57.7
	Volume ('000 tonnes)	2.6	1.8	3.9	8.0	26.1	32.2	30.8
1602 - Other prepared or preserved meat, meat offal or blood	Value (USD million)	0.0	0.1	0.6	1.6	8.5	79.0	50.3
	Volume ('000 tonnes)	0.0	0.0	0.2	0.4	2.8	29.2	18.5
0204 - Meat of sheep or goats, fresh, chilled or frozen	Value (USD million)	2.2	0.0	0.1	0.4	8.3	15.6	24.2
	Volume ('000 tonnes)	0.4	0.0	0.0	0.2	2.6	6.1	7.0
5101 - Wool, not carded or combed	Value (USD million)	3.0	9.6	13.9	16.4	20.6	20.2	20.4
	Volume ('000 tonnes)	2.4	7.4	11.5	14.1	16.1	12.2	14.8
1205 - Rape or colza seeds, whether or not broken	Value (USD million)	5.1	20.2	19.1	16.3	5.8	8.9	11.7
	Volume ('000 tonnes)	13.7	43.9	43.7	40.6	14.7	23.0	34.1
0504 - Guts, bladders and stomachs of animals (other than fish)	Value (USD million)	11.7	8.0	8.9	6.6	6.4	8.7	8.6
	Volume ('000 tonnes)	0.6	0.4	0.4	0.5	0.5	0.6	0.6
2302 - Bran, sharps and other residues, derived from working of cereals or of leguminous plants	Value (USD million)	3.9	6.7	3.9	2.5	3.1	4.7	3.5
	Volume ('000 tonnes)	32.7	40.3	20.3	23.4	23.4	29.8	24.7
2402 - Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	Value (USD million)	8.3	2.7	1.8	2.6	5.8	1.9	3.2
	Volume (million unit)	183.2	64.3	60.1	129.9	190.4	91.3	53.9
0206 - Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh, chilled or frozen	Value (USD million)	1.3	0.2	0.1	0.1	0.2	2.2	2.5
	Volume ('000 tonnes)	0.8	0.2	0.0	0.0	0.1	1.6	2.4
Imports								
2402 - Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	Value (USD million)	54.7	51.1	52.2	50.0	57.0	53.7	61.1
	Volume (million unit)	1,948.4	2,042.9	2,026.2	2,247.1	2,918.0	2,550.6	2,905.1
2106 - Food preparations not elsewhere specified or included	Value (USD million)	42.9	34.8	31.4	33.0	46.2	60.7	59.6
	Volume ('000 tonnes)	7.2	6.1	6.0	4.2	4.4	6.3	5.9
1806 - Chocolate and other food preparations containing cocoa	Value (USD million)	59.7	54.9	39.9	38.8	43.5	49.6	51.7
	Volume ('000 tonnes)	15.0	14.2	12.2	11.6	12.9	14.8	15.3
1905 - Bread, pastry, cakes, biscuits and other bakers' wares	Value (USD million)	31.7	31.4	26.5	28.4	29.5	34.5	39.4
	Volume ('000 tonnes)	14.7	14.4	13.7	14.7	14.5	17.4	18.8
0207 - Meat and edible offal of the poultry of heading 01.05, fresh, chilled or frozen	Value (USD million)	15.9	15.5	10.8	12.6	14.8	21.5	24.6
	Volume ('000 tonnes)	9.3	8.9	5.8	7.4	9.4	11.6	13.2
1006 - Rice	Value (USD million)	9.5	14.9	15.8	16.0	20.6	26.1	23.7
	Volume ('000 tonnes)	20.4	29.6	24.5	26.6	34.3	44.1	43.7
1701 - Cane or beet sugar and chemically pure sucrose, in solid form	Value (USD million)	24.9	26.0	19.4	26.4	26.6	31.6	23.1
	Volume ('000 tonnes)	45.8	46.5	40.3	50.9	51.7	67.3	53.2
1704 - Sugar confectionery (including	Value (USD million)	31.2	29.9	25.3	24.0	26.9	23.9	23.0
	Volume ('000 tonnes)	11.0	10.9	11.1	11.2	12.3	11.6	11.6

¹¹ FAO, *Support to Income Creation in Mongolia (SECIM): Improving Local Dairy Processing through Promoting Women*. Viewed at: <http://www.fao.org/3/ca8770en/ca8770en.pdf>.

HS code/description		2013	2014	2015	2016	2017	2018	2019
white chocolate), not containing cocoa 1902 - Pasta, such as spaghetti, macaroni, noodles, lasagne, gnocchi; couscous	Value (USD million)	21.6	18.3	16.4	14.5	17.5	21.7	22.7
	Volume ('000 tonnes)	13.7	11.2	11.0	10.2	11.4	12.6	11.9
2202 - Waters, containing added sugar or other sweetening matter	Value (USD million)	23.0	19.0	14.0	16.4	15.4	18.6	22.5
	Volume ('000 tonnes)	25.4	21.0	15.9	20.3	21.6	23.8	28.6

Source: Data provided by the authorities, and UN Comtrade Database.

4.9. Mongolia does not have any import or export tariff-rate quotas on agricultural goods, nor does it have any such provisions in its WTO schedule. However, it does control a list of 33 "strategic food items", mainly meat, milk, and grains, through quotas and allows imports/exports only through licences issued by the Ministry of Food, Agriculture and Light Industry (MOFALI) (Table 3.14 and Section 3.1.5). According to the authorities, the quota levels are set at a level to fill the gap between domestic production and consumption. Thus, MOFALI determines the quota levels that vary by product and amount each year for imports and exports. During the review period, import quotas were mainly on beef, milk and wheat; whereas export quotas mainly applied to beef and horse meat.¹² Mongolia also does not have any agricultural special safeguards provision. There is an export tax on certain skins of goats (Section 3.2.2), and a number of products are indicated as prohibited or restricted in Mongolia's tariff schedule, e.g. poppy seeds, coca leaf, poppy straw, opium, and certain alcohols.¹³ During the review period, tariffs were raised on certain agricultural products, e.g. alcohol and tobacco, which in turn increased the peak tariffs and the overall average on agricultural goods (Section 3.1.3.1).

4.1.1.2 Policy and legal framework

4.10. The Food and Agriculture Policy, 2015, is the main policy document in the agricultural sector.¹⁴ It came into force on 1 January 2016 and is expected to provide direction and targets for the agriculture sector through 2025. The policy's aim is to increase the productivity and improve the competitiveness of the sector. The policy outlines objectives for the subsectors of agriculture, e.g. crops, livestock, etc. (Box 4.1). A number of points relate to trade and investment measures. For example, Mongolia plans to increase budget and expenditures on agriculture to between 3% and 4% of the state budget; protect domestic production through state support and tariff and non-tariff regulation; and improve exports of agricultural raw materials and products through a one-stop-shop policy.¹⁵ The Mongolian Agricultural Commodity Exchange was created in 2013 to provide integrated management for agricultural exports. Further, a number of subsectors have separate programmes or policies (Table 4.3). Most are focused on improving agricultural output and standards of living. Mongolia's previous policy, the National Food Security Program, operated in the early years of the review period, but it expired in 2016.

4.11. Mongolia also plans to put more emphasis on agricultural research and extension services. This part of its agriculture regime has languished since emerging from a planned economy. To date, investment in these services remains low, and there are few links between researchers and producers. As a result, Mongolia has not reached its potential. The plan includes strengthening the National Agricultural Extension Center (NAEC), developing a national strategic framework, and providing more resources.¹⁶ In order to enhance its agricultural research and extension services, the integrated Research and Development Center for Food, Agriculture and Light Industry was

¹² See specific details on the annual quota products and volumes in section 3.1.5.

¹³ HS 12079100, 12113000, 12114000, 13019000, 13021110, 13021120, 22071000, 22072090, and 22089010.

¹⁴ Legalinfo, *Parliamentary Resolution No. 104 on Approval of Government Policy on Food and Agriculture*, 26 November 2015. Viewed at: <https://www.legalinfo.mn/law/details/11485>.

¹⁵ As at October 2020, the situation was as follows: the increase in budget had not occurred; state support consisted of soft loans to the cashmere industry; non-tariff regulations were the technical regulation on imports of alcoholic beverages in 2016 and withdrawal of the technical regulation on exports of skins and hides; and the tariff regulation was the increase in tariffs on imports of non-mining products in 2015.

¹⁶ FAO, *Mongolia: A Review of the Agricultural Research and Extension System*. Viewed at: <http://www.fao.org/3/a-i6571e.pdf>.

established under the MOFALI in September 2020 by Government Resolution No. 93. The newly established R&D centre integrated the NAEC and the Institute of Light Industry (ARMONO).

Table 4.3 Agricultural programmes and policies, 2013-19

Programme/Policy	Years in operation	Overview	Reference
First Meat and Milk Campaign and Atar-III Campaign	2016-20	Stabilize the food supply, decrease dependency, and promote food products' exports.	http://www.legalinfo.mn/law/details/12349?lawid=12349
National Vegetable Program	2016-20	Increase household income, reduce unemployment and poverty, and improve food supply through the increase of production of potato and vegetable crops.	http://www.legalinfo.mn/law/details/12881?lawid=12881
National Program Fruits and Berries	2016-20	Increase the range, quality, and production of fruits; and improve competitiveness by developing a value chain that meet international quality requirements and standards.	http://www.legalinfo.mn/law/details/12877?lawid=12877
National Livestock Program	2010-21	See Section 4.1.1.4.2.	http://www.legalinfo.mn/law/details/7039?lawid=7039
National Animal Health Program	2016-20	Implement comprehensive measures to limit the causes and conditions of outbreaks and spread of highly contagious and infectious animal diseases.	http://www.legalinfo.mn/law/details/13230
National Water Program	2015-21	Improve the industrial and agricultural water supply through the construction of reservoirs and irrigated agriculture, and the intensification of groundwater exploration.	http://www.legalinfo.mn/law/details/7038?lawid=7038
Policy on Herders	Phase II 2018-20	Increase herder income and improve living standards by increasing production and markets for products.	https://mofa.gov.mn/exp/ckfinder/userfiles/files/malchin2019.pdf
National Program to Support Intensive Livestock Development	2019-23	Support food and agricultural production, regional development, and diversification of livestock production; stabilize food supply; reduce imports of some livestock products; and promote exports.	https://www.legalinfo.mn/law/details/13932?lawid=13932
Sub-Program to Support Livestock Production	..	Increase herder income and create value added by introducing advanced technologies and developing export-oriented livestock production. Banks to supply loans to herders from bank or government funds.	http://www.legalinfo.mn/annex/details/7112?lawid=11733
Short-term Agricultural Stabilization Program	2016-17	Provide financial support to citizens and business entities for sowing, fertilizers, and seed stocks for potato, vegetable, berry, and fruit production.	https://www.legalinfo.mn/annex/details/7017?lawid=11577
Meat Program	2016-17	Improve the meat supply and herder incomes, and increase exports of meat and meat products.	http://www.legalinfo.mn/annex/details/7027?lawid=11591
Sea Buckthorn Program	2010-16	Cultivate sea buckthorn on up to 20,000 hectares of land for business and household purposes.	http://www.legalinfo.mn/annex/details/2603?lawid=5437
Cashmere Program	2018-21	See Section 4.1.1.4.1.	http://www.legalinfo.mn/annex/details/8271?lawid=13204

.. Not available.

Source: Compiled from the information in the table.

4.12. In 2016, the Government established agricultural free zones to promote exports of agricultural products. The Parliament approved the establishment of the Khalkh gol Agricultural zone by Parliamentary Resolution No. 46 of 19 May 2016.¹⁷ According to the Resolution, the Government approved 500,000 hectares for the Khalkh gol Agricultural zone, which was further established by

¹⁷ Legalinfo, *Parliamentary Resolution No. 46 on the Establishment of the "Khalkh Gol" National Development Zone in Agriculture*, 19 May 2016. Viewed at: <https://www.legalinfo.mn/law/details/11945?lawid=11945>.

Government Resolution No. 328 on 16 June 2016.¹⁸ Due to land-use conflicts, there are no companies operating in the Zone at this time.

Box 4.1 Agricultural policy, objectives for the livestock and crop subsectors

Livestock production	Crop production
1. Increase productivity of livestock, improve economic turnover, develop cattle and sheep breeding for meat and increase meat export resources;	1. Use agricultural land to full potential and efficiency, improve registration and control, develop agricultural production in combination with intensive animal husbandry;
2. Establish an optimal system of state regulation that supports the development of the livestock sector and the role of livestock producers;	2. Improve the use of agricultural land in the central zone, and put into circulation fallow land in the western and eastern zones;
3. Improve the system of registration, assessment, and use and protection of livestock genetic resources; preserve traditional knowledge of animal husbandry;	3. Introduce zero tillage technology for production and create conditions to protect agricultural lands from wind, water erosion and damage;
4. Adhere to the appropriate ratio of number, type and herd structure of livestock, adapted to climate change and related risks;	4. Increase the number of crop rotations, reduce the amount of fallow land, adjust crop rotation based on the needs of intensive livestock breeding, food production and foreign markets;
5. Carry out livestock breeding and selection work in a scientific manner and in accordance with market demand, create new breeds adapted to the region, use biotechnological achievements to protect the gene pool and improve livestock breeding;	5. Introduce economically efficient and soil-fertile crops and varieties, meet the needs of certified crops for domestic production with seeds suitable for the soil and climate of the region, and revitalize the system of sowing seeds and varieties;
6. Implement regional strategies for prevention and control of infectious animal diseases, improve early detection and prompt response of communicable diseases, and protect certain regions without communicable diseases;	6. Select machinery and tractors with advanced technology that does not adversely impact soil structure and fertility, establish a stable network of maintenance, support domestic production and assembly of some machines, tools and parts;
7. Establish a system that ensures the efficiency and integrity of the veterinary service at all levels in accordance with international standards, strengthen the capacity of local veterinary services and increase the responsibility of citizens, entities and organizations with livestock;	7. Collect surface, rain and snow water, improve the use of irrigation, increase the size of irrigated arable land;
8. Introduce advanced forms of veterinary services in accordance with market demand and requirements;	8. Introduce advanced drip and subsoil irrigation technology with low water and energy consumption for potato, vegetable, fruit and berry cultivation;
9. Use pastureland under regulations of the state authorities, and use agricultural land for the purpose of planting fodder for intensive livestock production;	9. Implement comprehensive measures for chemical fertilizers and plant protections for plant diseases, pests, weeds, rodents etc.;
10. Rational use of pastureland and other natural resources, improvement of pastureland management;	10. Increase the cultivation and variety of fruits and berries;
11. Create economic incentives for the number, type and herd structure of livestock based on pasture capacity and condition, rational use, and protection of pastures;	11. Increase the types and varieties of cereals, legumes and other crops to meet domestic demand; develop production of wheat, potatoes, vegetables and oilseeds for export orientation;
12. Expand measures to control rodents and insects causing damage to pasture plants using environmentally friendly and advanced technologies;	12. Provide fodder to intensive livestock breeding, introduce crops with high protein content, and create a variety of seed stocks; and
13. Support herders' and citizens' initiatives to improve pasture water supply, establish reservoirs, and ponds, and use renewable energy;	13. Develop winter and summer greenhouses and cellars, increase vegetable cultivation, and provide the urban population with fresh vegetables throughout the year.

¹⁸ Legalinfo, *Government Resolution No. 328 on the Establishment of the "Khalkh Gol" National Development Zone in Agriculture*, 13 June 2016. Viewed at: <https://www.legalinfo.mn/law/details/12023?lawid=12023>.

14. Increase the production of animal feed and bio-fertilizers through the introduction of advanced technologies;	
15. Regional development of processing plants and workshops;	
16. Coordinate state support for the supply of raw materials and products of animal origin; and	
17. Increase the processing of underutilized resources, including meat by-products.	

Source: Legalinfo, *Government Resolution No. 104 on Approval of Government Policy on Food and Agriculture*, 26 November 2015. Viewed at: <https://www.legalinfo.mn/law/details/11485>.

4.13. Mongolia's legal framework consists of a number of laws or resolutions on agricultural topics (Table 4.4). The most relevant law for the sector is the Law on Agriculture, 2016, which classifies and designates arable land, identifies state support and financing, outlines rights and responsibilities of farmers, and sets out soil protection measures. There were no major changes to this Law or the other main agriculture laws during the review period.

Table 4.4 Main legislation, 2020

Legislation	Overview	Reference
Law on Agriculture	Regulates farming, use of agricultural land, and development of livestock production	http://www.legalinfo.mn/aw/details/11641?lawid=11641
Plant Protection Act	Regulates relations between the state, citizens, and legal entities on protection, control, quarantine, and control of crops from plant diseases	http://www.legalinfo.mn/aw/details/517?lawid=517
Seed Insurance Law	Regulates relations between insurance companies and citizens, business entities, and organizations for compulsory insurance for seed planting	http://www.legalinfo.mn/aw/details/14?lawid=14
Law on Seed Varieties of Cultivated Plants	Regulates the safeguarding of the gene pool of cultivated plants, testing and certification of varieties, and quality control of seeds and varieties	http://www.legalinfo.mn/aw/details/471?lawid=471
Land Law	Regulates possession and use of land by citizens, business entities, and organizations	http://www.legalinfo.mn/aw/details/216
Animal Genetic Resources Law	Regulates registration, identification, preservation, protection, sustainable use, and research of genetic resources of livestock and domestic animals	http://www.legalinfo.mn/aw/details/13051

Source: Compiled from the information in the table. For a complete list, see MOFALI. Viewed at: <https://mofa.gov.mn/exp/blog/15/27>.

4.14. In 2013, Mongolia established the Mongolian Agricultural Commodity Exchange, pursuant to the Law about Agricultural Commodity and Raw Material Exchange, 2011.¹⁹ The exchange was established to improve the supply and trade of cashmere, but also to expand to other commodities. It is designated as the sole agricultural commodity exchange with the right to organize stock exchange trading of a list of agricultural commodities. The MOFALI is responsible for determining the list of goods and raw materials eligible to be traded on the exchange. The exchange allows for spot contracts, futures contracts, options, and forward contracts. As at October 2020, the commodities traded included wool, cashmere, skins, and hides. In 2018, the Mongolian Agricultural Commodity Exchange signed a strategic partnership agreement with China's Bohai Commodity Exchange to allow cross-border trading of commodities, thus traders may trade online without being present in Mongolia.

4.1.1.3 Subsidies/support programmes

4.15. Mongolia has a number of subsidy schemes or incentive programmes in the agricultural sector that increased steadily in recent years, although there are no precise figures on the level of support. Several Government funds, direct subsidies from the MOFALI, and international donor projects comprise the support measures given to the agriculture sector. Numerous subsidy funds or supports

¹⁹ Legalinfo, *Law About Agricultural Commodity and Raw Material Exchange*, 2 June 2011. Viewed at: <https://www.legalinfo.mn/law/details/567>.

were active during the review period, covering various themes. The Agriculture Support Fund and the Livestock Protection Fund were the two main funds supporting the sector during the review period; in 2020, they were merged into one Agriculture Support Fund (Table 4.5).

4.16. Mongolian subsidy measures take various forms, such as price-support mechanisms, soft loans, and output-based direct payments. A number of studies examined the various agricultural subsidies and suggested that more could be done to use less distorting subsidization methods that can be harmful to markets.²⁰ Some concrete suggestions include rationalizing the agricultural subsidy programmes to help resolve inconsistencies and overlap; as an alternative to subsidization, improve research and development, education and training, infrastructure development, and inspection and health services; address problems of market structure; and adopt a smart subsidies strategy.

4.17. A price-support mechanism on wheat has been in place since 2007, with generally increasing subsidy levels each year. Subsidies are paid when wheat is sold to the Crop Fund or domestic flour mills. Between 2005 and 2018, the Crop Protection Fund provided MNT 157.4 billion in wheat subsidies to 7,500 farmers.²¹ The price support amounted to approximately USD 50 to USD 70 per tonne (MNT 50,000 to MNT 100,000 per tonne) due to harvesting and financial capacity.²² A similar measure applies to herders of sheep and camels, who receive a cash incentive of MNT 1,500 to MNT 2,000/kg (depending on quality) when they sell their wool to domestic enterprises. Between 2011 and 2017, MNT 158.5 billion was dispersed to herders through this programme.²³ Herders who delivered raw hides and skins to domestic enterprises for leather processing were likewise eligible for a cash incentive of between MNT 3,000 and MNT 15,000 depending on animal size; this amounted to MNT 33 billion over the period 2013-16.²⁴

4.18. Farm machinery usage and mechanization is also an area recognized as needing improvement. Thus, to increase and improve crop mechanization, which is largely outdated or underutilized, farmers may obtain machinery through government purchases through the Crop Support Fund, specialized soft loans of export-import banks, or international aid programmes.

4.19. Other forms of government support include VAT and duty exemptions on imports of farm machinery (Sections 3.1.3.2 and 3.1.4.1), subsidization of the construction and renovation of irrigation systems (30% subsidized), construction of dams and reservoirs (100% subsidized), and training programmes.²⁵ Farmers of crops, also milk and dairy, fruit and berries, fodder, and intensive chicken farming, also receive a 50% reduction on income tax.²⁶

4.20. A number of foreign donor projects or development organizations continue to support the agricultural sector in various capacities, including the Green Gold Animal Health project, the German-Mongolian Sustainable Agriculture (Phase II) cooperation project, additional funding for agriculture and rural development projects, and the Market and Pastureland Management Development Financing project.²⁷ The total costs or loans under these programme are estimated to be around USD 400 million.

²⁰ World Bank, *Agriculture in Transition, Agricultural Productivity and Marketing*. Viewed at: <http://documents1.worldbank.org/curated/ar/277781468195567857/pdf/101087-WP-P130366-PUBLIC-Box393257B-Agricultural-Productivity-and-Marketing-in-Mongolia-Feb-18-FINAL-with-pictures.pdf>; and World Bank, *Review, Estimation and Analysis of Agricultural Subsidies in Mongolia*. Viewed at: <http://documents1.worldbank.org/curated/ar/985931468197057985/pdf/101086-WP-P130366-PUBLIC-Box393257B-Review-Estimation-and-Analysis-of-Agricultural-Subsidies-in-Mongolia.pdf>.

²¹ News.mn, *News on Farmers*. Viewed at: <https://news.mn/r/2196464/>.

²² Mongolian Farmers Association, *Agriculture Mongolia*. Viewed at: <http://un-csam.org/ppta/201410wuhan/5MN.pdf>.

²³ MOFALI, *About the Wool Premium*. Viewed at: <https://mofa.gov.mn/exp/blog/43/92>.

²⁴ MOFALI, *About the Leather Incentives*. Viewed at: <https://mofa.gov.mn/exp/blog/43/92>.

²⁵ Mongolian Farmers Association, *Agriculture Mongolia*. Viewed at: <http://un-csam.org/ppta/201410wuhan/5MN.pdf>.

²⁶ Ministry of Finance, *2020 Approved Budget*. Viewed at: <https://mof.gov.mn/files/uploads/article/%D1%82%D3%A9%D1%81%D3%A9%D0%B2-2020.pdf>.

²⁷ Agricultural Value Chain Knowledge Sharing Platform, *Projects and Programs*. Viewed at: <http://www.vcmongolia.mn/default.aspx?page=1#collapse40>; and MOFALI, *Foreign Projects*. Viewed at: <https://mofa.gov.mn/exp/blog/15/31>.

Table 4.5 Main agricultural subsidy funds or supports

Programme	Amount	Notes
Livestock Protection Fund (replaced by the Agriculture Support Fund)	MNT 71.4 billion ^a	The fund was abolished in 2019 by Government Resolution No. 179, and was replaced by the Agriculture Support Fund in 2020.
Crop Protection Fund	..	Provides seeds, fuel, herbicide, fertilizer, and access to heavy machinery on subsidized credit. Merged with the Agriculture Support Fund.
Crop-Production Support Fund (integrated into the Agriculture Support Fund)	MNT 172 million ^b	Provides basic support for wheat seed, wheat support to flour mills, fuel, fertilizer, and plant protection products. Also provides support for technological advances, such as mechanical equipment, storage silos, and concessional loans. Integrated into the Agriculture Support Fund in 2020 via Government Resolution No. 16, 8 January 2020.
Procedure to provide cash incentives to herders and livestock owners	MNT 13.7 billion ^c	Incentives, bonuses, or subsidized loans paid from the Livestock Protection Fund for the processing of hides and skins. The Livestock Protection Fund merged with the Agriculture Support Fund via Government Resolution No. 16, 8 January 2020.
Wheat Price Supports	MNT 179.5 billion ^d	Provides prices supports; merged with the Crop Protection Fund.
Fruit and Berry cultivation	..	Farmers can have interest-free loans for investments in this sector for up to five years.
Incentives for Milk and Dairy	MNT 4 billion	Provides incentives to herders to increase milk production.
Sheep and camel wool cash incentive	MNT 22.5 billion ^e	Cash incentives to herders who sell sheep and camel wool to private enterprises.
Leather Incentives	MNT 12.7 billion ^f	Cash incentives to herders who sell raw hides and skins to state-owned processing plants.
Meat Reserves	MNT 40.5 billion ^g	Government purchases of 14,000 MT to 18,000 MT is subsidized at MNT 1,000/kg for storage.
Staple Food Price Stabilization Program	..	The Program has expired.

.. Not available.

a 2018 budget.

b 2021 draft budget.

c Total estimation 2013-18.

d Total estimation since 2010.

e 2017 annual outlay.

f 2016 half-year outlay.

g Total estimation 2013-16.

Source: World Bank, *Review, Estimation and Analysis of Agricultural Subsidies in Mongolia*. Viewed at: <http://documents1.worldbank.org/curated/ar/985931468197057985/pdf/101086-WP-P130366-PUBLIC-Box393257B-Review-Estimation-and-Analysis-of-Agricultural-Subsidies-in-Mongolia.pdf>; The Livestock Protection Fund and the Agriculture Promotion Fund. Viewed at: <http://khaads.mn/introduction>; The Livestock Conservation Fund. Viewed at: <http://www.mxc.gov.mn/>; MOFALI, *About the Wool Premium* and *About the Leather Incentives*. Viewed at: <https://mofa.gov.mn/exp/blog/43/92>; and information provided by the authorities.

4.21. In addition to the various funds, the MOFALI provides indirect subsidies to state-owned enterprises (SOEs) and private businesses through its annual budget (Table 4.6). These subsidies have remained relatively stable during the review period at about MNT 90 billion, with about MNT 55 billion provided to the private sector and between MNT 30 billion and MNT 40 billion to SOEs. The subsidies are mainly paid out for cashmere, milk and dairy, wool, skins and hides, and meat and meat production.

Table 4.6 Agricultural subsidies, expenditures, 2013-19

(MNT billion)

	2013	2014	2015	2016	2017	2018 ^a	2019 ^a
Subsidies to the private sector, from the MOFALI	52	56.98	52.98	48.72	53.31	54.11	56.11
Subsidies to SOEs, from the MOFALI	..	..	.07	32.62	39.93	..	..
Total subsidies	52	56.98	53.05	81.34	93.24	54.11	56.11

.. Not available.

a Budgeted.

Source: MOFALI, *Budget and Financial Reporting*. Viewed at: <https://mofa.gov.mn/exp/blog/12/29>.

4.22. According to its notifications to the WTO, Mongolia indicated that it did not provide any export subsidies during the period 2007-15 and that it had certain development programmes notified under domestic support measures during 2014-15.²⁸ These measures are notified as special and differential treatment measures exempt from reduction commitments, and they include the National Program to Support Intensive Livestock Development, the National Livestock Program, the Improving Animal Breeding Program, and the Crop Production Promotion Program. In 2014, the total support under these programmes was reported as USD 39.7 million, and in 2015, USD 28.5 million.

4.1.1.4 Key sectors

4.1.1.4.1 Cashmere

4.23. The cashmere sector remains very important, accounting for about 4% of total exports in 2019. Exports of cashmere climbed steadily during the review period, increasing by over a third (Table 4.7). According to the MOFALI, Mongolia produces about 40% of the world's supply of cashmere, and is second to China, the world's largest producer.²⁹ In 2019, Mongolia produced 9,500 tonnes of cashmere.³⁰

4.24. The cashmere industrial sector is divided into four subsectors: integrated processing factories, simple processing factories, SME knitting factories, and household micro businesses (Box 4.2). The sector supported 10,000 employees in 2019, of which 90% were women, most under the age of 45.³¹ In line with promoting more downstream production, the cashmere industry increased capacity in recent years in all areas of processing, i.e. washing, separating, spinning, producing textiles, and knitting. In 2019, sales reached MNT 1,300 billion.³²

Box 4.2 Cashmere industry structure, 2020

Integrated processing factories	15 companies	52% of total employment in the sector
Simple processing factories	23 companies	10% of total employment in the sector
SME knitting factories	59 companies	35% of total employment in the sector
Household micro businesses	150 companies	3% of total employment in the sector

Source: MOFALI, *Wool and Cashmere Products*. Viewed at: <https://mofa.gov.mn/exp/blog/11/175>.

²⁸ WTO documents G/AG/N/MNG/9, 4 June 2018; and G/AG/N/MNG/10, 22 February 2019.

²⁹ MOFALI, *Manufacture of Wool and Cashmere Products*. Viewed at: <https://mofa.gov.mn/exp/blog/11/175>.

³⁰ Mongolian Wool & Cashmere Association, *Wool and Cashmere Industry Information*. Viewed at: <http://www.mongoltextile.mn/news/statistic/mn>.

³¹ MOFALI, *Wool and Cashmere Products*. Viewed at: <https://mofa.gov.mn/exp/blog/11/175>.

³² MOFALI, *Light Industry*. Viewed at: <https://mofa.gov.mn/exp/ckfinder/userfiles/files/hongon20191.pdf>.

4.25. During the review period, a number of Government policies and programmes supported the cashmere sector. The principal policy is the Cashmere Program that was put in place by a government resolution in 2018; it builds upon prior cashmere programmes.³³ The Cashmere Program is integrated into Mongolia's Sustainable Development Goals and places an emphasis on improving the downstream processing sector, in particular with respect to exports. Together with its Action Plan, the Program prescribes that the Development Bank of Mongolia will make loans to cashmere enterprises. In 2018, MNT 182.9 billion was allocated in loans, and in 2019, MNT 82.9 billion.³⁴ In 2020, MNT 300 billion was allocated to the Program, and it has been credited with creating 1,570 jobs. To date, the second phase of the programme has been completed with 20% of textile processing capacity achieved, a shortfall of the 60% targeted.³⁵

4.26. In 2014, a resolution was passed putting in a place a procedure to support cashmere production and increase exports. It provided loans and guarantees to Mongolian majority-owned enterprises at preferential rates.³⁶ Under this programme, soft loans totalling MNT 29.33 billion were provided to seven domestic enterprises.

4.27. In January 2020, a new standard on wool and cashmere was initiated by the government and came into force that certifies the quality of products bearing the Mongolian Certification Mark.³⁷ It is expected to improve product branding and adherence to high quality standards.

4.28. Another recent incentive was the 100% exemption until 1 January 2024 from customs duties and VAT on imported cashmere, leather, and wool infrastructure goods and equipment for the Darkhan-Uul leather and wool complex project, pursuant to two laws passed in August 2020.³⁸ A VAT exemption also exists for exports of raw, washed, and combed cashmere and leather (Section 3.1.4.1). As part of its COVID support measures, Mongolia decided to further support the cashmere industry by reducing interest rates and offering special loans (Section 3.3.1).

4.29. The Government's initiative to establish the Mongolian Agricultural Commodity Exchange in 2013 was also a boost to the cashmere industry (Section 4.1.1.2). The Exchange helped establish supply chains and facilitate the export of cashmere.

4.30. Initiatives to promote the downstream processing sector were successful, with significant increases in exports of cashmere finished goods, which increased 68% since 2013 (Table 4.7). However, despite this increase, the export of minimally processed greasy cashmere continued to dominate, and it also increased significantly (56%) during the review period, although not to extent of finished goods growth. The export of semi-processed cashmere declined during the review period. Most cashmere, about 70%, is exported to China.

³³ Legalinfo, *Government Resolution No. 47 on the Approval of the Cashmere Program*, 6 February 2018. Viewed at: <https://www.legalinfo.mn/law/details/13204?lawid=13204>.

³⁴ In 2018, the amount was MNT 182.9 billion.

³⁵ MOFALI, *Light Industry*. Viewed at: <https://mofa.gov.mn/exp/ckfinder/userfiles/files/hongon20191.pdf>.

³⁶ Legalinfo, *Government Resolution No. 87 About Some Measures to Support Cashmere Production and Increase Exports*, 21 March 2014. Viewed at: <https://www.legalinfo.mn/law/details/9874>.

³⁷ Order C / 70 of the Director of Standardization and Metrology, 30 December 2019.

³⁸ Legalinfo, *Law on Customs Tax Discount*, 28 August 2020. Viewed at: <https://www.legalinfo.mn/law/details/15575?lawid=15575&sword=%D0%BD%D0%BE%D0%BE%D0%BB%D1%83%D1%83%D1%80>; and Legalinfo, *Law on VAT Exemption*, 28 August 2020. Viewed at: <https://www.legalinfo.mn/law/details/15576?lawid=15576&sword=%D0%BD%D0%BE%D0%BE%D0%BB%D1%83%D1%83%D1%80>.

Table 4.7 Cashmere exports, 2013-19

(USD '000)

	2013	2014	2015	2016	2017	2018	2019
Greasy cashmere	191,714.5	232,103.7	211,118.4	209,091.7	223,573.9	277,770.5	298,768.9
Waste	27.2	33.7	34.8	86.1	118.3	171.9	47.1
Semi-processed	56,641.7	62,074.4	40,727.7	33,189.1	38,847.6	55,044.5	45,330.9
Finished goods	33,308.4	32,841.5	32,437.8	34,288.4	42,575.0	43,649.8	55,892.9
Total	281,691.8	327,053.3	284,318.7	276,655.3	305,114.8	376,636.7	400,039.8

Source: Information provided by the authorities; and Mongolian Customs, *Statistics on Mongolian Trade in Goods, Appendix No. 6*. Viewed at: https://www.customs.gov.mn/statistics/index.php?module=users&cmd=info_st.

4.1.1.4.2 Livestock

4.31. The livestock sector remains important in terms of output, employment, and trade, as it is the second largest agricultural export earner after cashmere. It is also important to Mongolia's identity and nomadic lifestyle, so much so that it is inscribed and protected in the Constitution.³⁹ Pastureland is designated as a collective asset whereby private ownership is prohibited.⁴⁰ The amount of pastureland has slightly declined over the years, due to shifts in classification to urban infrastructure, mining, and agricultural crops. Intensified grazing and demand for fodder have also increased demand on pastureland.

4.32. In 2019, the number of livestock amounted to 70.9 million heads, an increase from 45.1 million heads in 2013 (Table 4.1). Livestock comprises horses, cattle, camels, sheep, and goats, of which sheep and goats are the most prevalent, accounting for 45.5% and 41.2%, respectively, in 2019. Growth in nearly all livestock categories was significant during the review period, and a record number of livestock was reached in 2019 for all livestock categories except camels. Importantly, the ratio of goats to total livestock has increased steadily since 1990; this growth is attributed to the attractiveness of producing cashmere due to increasing prices.⁴¹ Production increases were met mainly with increases in the number of heads and not in productivity increases, which has been a concern for the sector, as it retains low productivity in part due to underdeveloped breeding systems.⁴² The number of herders fluctuated very little over the review period, and remains at 285,000, the same as in 2013.

4.33. The significant increases in the number of livestock have not come without a cost. Increased use and pressure on fragile grazing lands combined with climate change potentially threaten the future of the sector, as desertification and erosion become more prevalent. According to one source, the unsustainable and inefficient use of natural resources throughout the supply chain has further exacerbated the situation.⁴³ On the positive side, improvements were made in tackling infectious and parasitic diseases. During the review period, the number of diseased livestock has declined, and the use of vaccination and preventative measures has increased, demonstrating an improvement in the sanitary health of the livestock population.⁴⁴ Since its establishment in June 2018, the General Agency for Veterinary Services (GAVS) has provided integrated management vertically, from state to soum level. Despite these advances, foot and mouth disease remains a threat and has been on the rise since 2018. As it has spread, particularly in the eastern region of the country, emergency

³⁹ Article 5 of the Constitution states that "Livestock is a national treasure and is under state protection".

⁴⁰ FAO, *Mongolia: Prevailing Systems of Land Tenure*. Viewed at: http://www.fao.org/gender-landrights-database/country-profiles/countries-list/land-tenure-and-related-institutions/en/?country_iso3=MNG.

⁴¹ National Statistics Office, *Socio-economic Situation of Mongolia, 2019/12*. Viewed at: https://1212.mn/BookLibraryDownload.ashx?url=Bulletin_2019_12_en.pdf&ln=En.

⁴² FAO, *Mongolia at a Glance*. Viewed at: <http://www.fao.org/mongolia/fao-in-mongolia/mongolia-at-a-glance/en/>.

⁴³ UN Partnership for Action on Green Economy (PAGE) and the Environment and Trade Hub of UN Environment, *Trade and Green Economy in Mongolia*. Viewed at: https://www.un-page.org/files/public/trade_and_green_economy_in_mongolia-technical_report.pdf.

⁴⁴ National Statistics Office, *Mongolian Statistical Yearbook, 2019*. Viewed at: <https://1212.mn/BookLibrary.aspx?category=007>.

assistance was sought from the FAO and a four-year control strategy has been launched for 2020-23, with a particular focus on improving capacity building for local veterinarians.⁴⁵

4.34. The National Livestock Program, 2010-21, remains the main policy document for the sector. It was put in place to encourage livestock breeding and promote market developments in line with social development trends. The Program is complemented by a number of related livestock programmes and policies, such as the National Animal Health Program, the Policy on Herders, and the National Program to Support Intensive Livestock Development (Table 4.3). The Government continues to emphasize the sector and promote its further development, including through an emphasis on increasing meat exports.

4.35. The priorities of the National Livestock Program include:

- creating a favourable legal, economic, and organizational environment to ensure sustainable development and promote good governance;
- improving livestock breeding in accordance with social needs, productivity, quality, and market competitiveness;
- protecting public health by improving veterinary practices to international standards;
- developing livestock breeds adaptable to climate and other ecological changes; and
- accelerating economic returns by developing the market for livestock and livestock products, creating an optimal network for procurement and sales, and providing incentives.⁴⁶

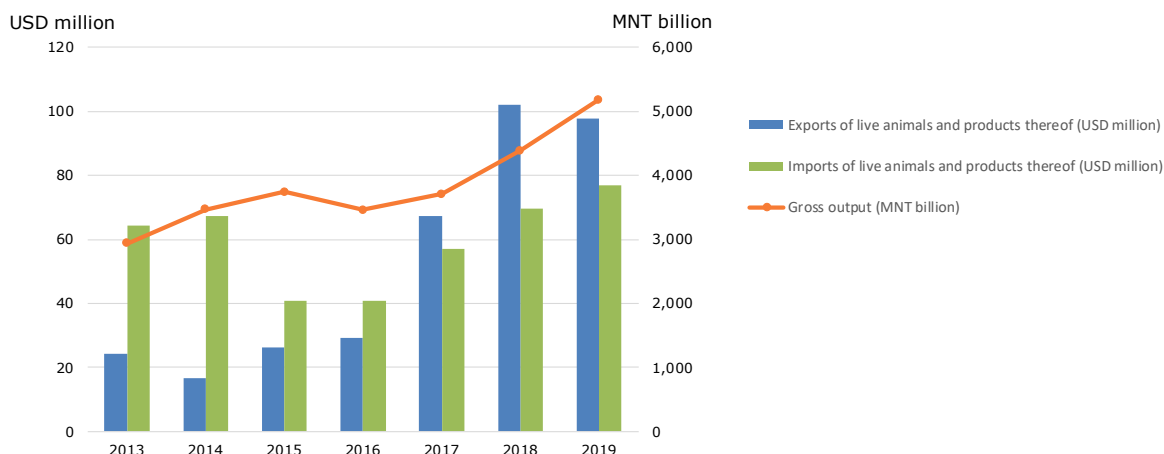
4.36. One recent development in the sector was the establishment of a temporary "one-stop-service" for meat-exporting companies. This service was developed by the MOFALI to streamline the required government paperwork or procedures and reduce the length of time, as it takes more than 30 days to complete the export requirements.⁴⁷ The exporting entities take advantage of the combined services from the GAVS, the National Emergency Management Agency, the MNCCI, and the State Central Veterinary Laboratory in a single stop. The exporters complete the necessary documents within 1 or 2 days, which is a significant reduction in the time needed to export.

4.37. The livestock sector became increasingly important for international trade. During the review period, Mongolia made a significant shift from being a net importer of livestock and livestock products to a net exporter (Chart 4.3). This shift moved in parallel with the increased output of livestock. The main driver of this growth was the export of horse meat and heat-treated meat products, mainly to neighbouring China and the Russian Federation.

⁴⁵ FAO, *Emergency Assistance for the Control of Foot and Mouth Disease in Central and Western Regions of Mongolia*. Viewed at: <http://www.fao.org/3/cb1467en/CB1467EN.pdf>.

⁴⁶ Legalinfo, *State Great Hural Resolution No. 23 on Approval of the "Mongolian Livestock" National Program*, 20 May 2010. Viewed at: <https://www.legalinfo.mn/law/details/7039?lawid=7039>.

⁴⁷ MOFALI, *Provide One-stop Services to Meat Exporting Companies*. Viewed at: <https://mofa.gov.mn/exp/article/entry/2218>.

Chart 4.3 Livestock, 2013-19

Note: Trade data on "live animals and products thereof" refer to Section 1 of the HS nomenclature, including HS Chapters 1 to 5.

Source: National Statistics Office, *Mongolian Statistical Yearbook, 2019*; and WTO calculations based on UN Comtrade data.

4.2 Mining and Energy

4.2.1 Mining

4.38. Mining is by far the most strategic sector of the Mongolian economy. In 2019, it accounted for 23.2% of GDP, 71.7% of industrial output, 75.8% of FDI, 90.1% of exports, 75% of inward direct investment inflows, and 70% of foreign investment stocks.

4.39. By contrast, this highly capital-intensive sector represents only about 2% of the total employment of the country (15% if one takes into account indirect employment induced by the sector in construction, financial services, transport, and telecommunications). It contributed 19.8% to the state budget in 2013, 18.5% in 2015, 20.9% in 2017, 20.9% in 2018, and 22.5% in 2019.

4.40. Since mining is a cyclical activity, whose demand and prices are exogenous, it creates a macroeconomic effect of dependency of the whole Mongolian economy on the fluctuations of the industry. Hence, the Government endeavours to develop the sector to maximize mining revenues and exports, and to channel those revenues to the development of the country, but also to diversify the rest of the economy in order to limit so called "Dutch disease" effects.

4.41. This situation is expected to continue. According to the Asian Development Bank (ADB)⁴⁸, while mineral reserves are still under-explored, notably due to a lack of financing, identified reserves place Mongolia among the countries richest in several mineral products (Table 4.8).

Table 4.8 Estimated mineral reserves and resources, and their global rankings

Mineral	Unit	Reserves and resources ^a	Global rank	Share of global total (%)
Tungsten	'000 tonnes (tn)	692.2	6	2.6
Coal	Billion tn	33.4	11	2.5
Uranium	'000 tn	166.6	12	1.1
Molybdenum	'000 tn	1,554.5	12	1.6
Copper	Million tn	69.9	14	2.1
Gold	tn	23.9	21	1.1
Zinc	Million tn	4.7	30	0.4
Iron ore	Billion tn	1.9	33	0.1

a Some sources, for example, Invest in Mongolia, indicate that probable reserves of coal and iron ore are 175 billion tonnes. Viewed at: <https://www.invest-mongolia.com/>.

Source: Ministry of Mining and Heavy Industry (MMHI); ADB, *Mongolia's Economic Prospects*, June 2020.

⁴⁸ ADB, *Mongolia's Economic Prospects*, June 2020. Viewed at: <https://www.adb.org/sites/default/files/publication/611416/mongolia-economic-prospects.pdf>.

4.42. Table 4.9 describes the evolution in volume of the main mineral products during the review period, and shows that production grew notably (and even doubled for gold) for all products except fluorspar concentrate, iron concentrate, and zinc concentrate.

4.43. The sector was affected by the fall in demand and in price (except for gold), triggered by the effects of the COVID-19 pandemic on the world economy. Production and exports resumed after the first confinement.

Table 4.9 Mining production, 2013-19

Mineral product	Unit/a	2013	2014	2015	2016	2017	2018	2019
Coal	'000 tn	30,123.3	25,287.8	24,205.9	35,522.3	48,145.1	51,401.3	50,833.7
Copper concentrate	'000 tn	803.0	1,080.4	1,334.7	1,445.1	1,317.6	1,310.8	1,262.4
Molybdenum concentrate	tn	3,732.1	4,054.0	5,207.0	5,174.4	5,759.6	5,486.1	5,302.7
Gold	kg	8,900.9	11,503.8	14,532.8	18,435.7	19,849.0	20,655.2	16,251.3
Fluorspar ore	'000 tn	161.7	303.0	183.5	167.7	108.9	101.2	156.1
Fluorspar concentrate	'000 tn	76.4	71.9	47.3	34.1	55.2	80.7	47.5
Iron ore	'000 tn	5,011.9	6,293.1	4,273.6	4,936.2	7,694.7	6,225.4	8,572.2
Iron concentrate	'000 tn	6,124.0	3,967.4	1,899.8	2,209.9	3,675.0	3,405.5	3,386.4
Zinc concentrate	'000 tn	104.1	93.2	89.6	100.2	82.7	87.9	83.1

Source: National Statistics Office.

4.44. Table 4.10 describes the evolution of foreign investment flows and stocks, both in absolute terms and as a proportion of total investment, during the review period. Mining represents more than 60% of both flows and stocks of inward FDI. FDI flows are subject to large fluctuations, depending on the stage of the mining cycle.

Table 4.10 Total FDI inflows and inward stock in the mining and quarrying sector

(USD million)

	2014	2015	2016	2017	2018	2019
Inflows	1,271.7	789.7	941.2	1,442.4	2,130.3	2,374.45
% of total inflows	63.9	56.6	63.3	69.1	78.1	75.8
Inward stock	15,419.7	15,360.0	11,518.3	12,825.8	14,566.8	16,232.3
% of total inward stock	76.2	74.2	70.8	71.2	72.0	72.8

Source: Information provided by the authorities.

4.45. Mineral products are by far the main export, although their share in value of total exports declined slightly during the review period, from 89.1% in 2013 to 88.6% in 2019. Copper concentrate alone represents about 50% of mineral exports in value.

4.46. Table 4.11 describes the evolution of the exports of mineral products in value during the review period; coal and copper constitute by far the main exports. After a cyclical downturn in 2015, those exports are on the rise and, in total, doubled during the review period.

Table 4.11 Exports of the main HS 4-digit mineral products (HS Section 5), 2013-19

		2013	2014	2015	2016	2017	2018	2019
Total (USD million)		3,495.5	4,791.5	3,678.2	3,484.0	4,933.7	6,070.3	6,377.5
	HS Chapter 25 (salt; sulphur; earths, stone; plastering materials, lime and cement)	84.2	72.4	66.1	59.0	84.2	189.9	206.2
	HS Chapter 26 (ores, slag and ash)	1,761.2	3,223.0	2,662.3	2,108.4	2,200.5	2,670.0	2,686.2
	HS Chapter 27 (mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes)	1,650.0	1,496.1	949.7	1,316.7	2,648.9	3,210.4	3,485.1
2701	Coal; briquettes, ovoids and similar solid fuels manufactured from coal	1,116.2	848.6	555.0	971.8	2,256.7	2,786.2	3,074.4
2603	Copper ores and concentrates	949.0	2,574.7	2,280.1	1,607.8	1,613.1	2,012.2	1,795.9
2601	Iron ores and concentrates; including roasted iron pyrites	654.3	446.4	227.2	249.9	313.4	342.2	576.6
2709	Petroleum oils and oils obtained from bituminous minerals; crude	515.5	634.6	387.2	337.2	374.1	392.0	366.7
2529	Feldspar; leucite; nepheline and nepheline syenite; fluorspar	83.3	71.5	65.5	59.0	84.2	189.9	205.3
2608	Zinc ores and concentrates	119.1	113.2	101.7	145.4	180.8	197.8	189.0
2607	Lead ores and concentrates	1.3	0.4	0.4	24.1	43.7	57.4	66.8
2613	Molybdenum ores and concentrates	29.5	35.1	29.5	26.4	37.4	49.9	49.0
2704	Coke and semi-coke, of coal, lignite or peat, whether or not agglomerated; retort carbon	0.0	0.0	0.0	0.0	0.0	5.5	27.2
2710	Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c., containing, by weight, 70% or more of petroleum oils or oils from bituminous minerals, these being the basic constituents of the preparations; waste oils	11.8	11.9	5.9	5.9	6.9	10.0	12.1

Source: UN Comtrade Database.

4.47. China and, to a much lesser extent, the Russian Federation are by far Mongolia's main export destinations. In 2019, for the products of HS Chapter 25 (salt; sulphur; earths, stone; plastering materials, lime and cement), China absorbed 75.8% of Mongolia's exports in value, followed by the Russian Federation, with 24.0%. For products covered by HS Chapter 26 (ores, slag and ash), China accounted for 99.2% of the exports; and for products covered by HS Chapter 27 (mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes), 97.9%.

4.48. As at September 2020, 2,645 licences, covering a total of 6.2 million hectares of land, had been granted, of which 956 exploration licences covering 4.6 million hectares of land and 1,710 operation licences, of which 300 were active. Of these 2,645 licences:

- 2,102 were held by companies with 100% domestic investment (about 10% of which were state-owned);
- 401 were held by companies with 100% foreign investment; and
- 142 were held by companies with joint ventures (a vast majority of which with Mongolian private interests).

4.49. Among the companies with 100% foreign investment, 132 are from China, 30 from the Virgin Islands, 16 from Singapore, 15 from Hong Kong, China, 12 from Canada, 10 from the Republic of Korea, 5 from Australia, 4 from the Russian Federation, 2 from the United States, 2 from Japan, and 2 from Germany.

4.50. The principles of the legal regime of mining are defined by the 1992 Constitution. Under it, "the land and its subsoil shall be subject to the people's authority and under the protection of the State". The amendment to the Constitution, approved on 14 November 2019, modified that formulation to state that "the land other than in [a] citizen's private ownership, as well as the subsoil with its mineral wealth, forests, water resources, and wildlife are state public property".

4.51. The mining industry is regulated by the Ministry of Mining and Heavy Industry (MMHI) and by the Mineral Resources and Petroleum Authority of Mongolia (MRPAM). The latter is a government implementing agency in charge of policies and plans for the preservation, conservation, and reclamation of geological resources, and of the administration of geological resources and activities. It conducts geological and mineral surveys, inspections, studies, and research; maintains mineral data and licence information; and issues mineral licences.

4.52. The main legislation governing the sector is the Minerals Law, 2006. In terms of scope, it governs the reconnaissance, exploration, and mining of all types, except water, petroleum, natural gas, radioactive minerals, and common minerals, which are regulated by other specific laws. In terms of substance, the Law regulates ownership of minerals; classification of mineral deposits; requirements for minerals licence holders; state involvement and participation in the sector; limitations and prohibitions of mineral prospection, exploration, and mining; licensing regulations; terms and fees for exploration, and mining activities and their requirements; obligations of licence holders (environmental protection requirements, royalties, and reporting); licence transfer and licence revocation-related issues; and licence-related dispute settlement mechanisms.

4.53. The main change to the mining legislation during the review period was a series of amendments to the Mineral Law, which were approved by Parliament on 26 March 2019, and concern the tax and royalties' regime. Previously, royalty payments collected for the State budget were based on the sales value of each type of product extracted and sold, shipped for sale, or exploited at the mine site. This created conditions for the avoidance/evasion of royalty fees by unlicensed artisanal mining cooperatives and partnerships, including exporters, sellers who bought minerals from them, and unlicensed concentrators and processing plants; there was also a lack of reports/information submitted to the relevant authorities. Consequently, it became difficult to implement Article 6.1 of the General Taxation Law, which states that "taxable items include income, property, goods, works, services, certain rights, land, its subsoil, natural resources, mineral reserves, air, soil and water pollution". The amendments to the Mineral Law subjected these operators to the payment of royalties and to reporting obligations. They also closed loopholes regarding the purchase of gold by the Bank of Mongolia, so as to increase the country's foreign exchange reserves and to fully collect royalty payments for the state budget.

4.54. The Law stipulates that the level of state ownership may vary, depending on the financing of the exploration, its nature, and whether the mineral deposit qualifies as a "strategically important mineral deposit". Article 4.1.12 of the Mineral Law states that a "strategically important mineral deposit" means a deposit that affects national security, or national economic and social development, or produces or can produce more than 5% of annual GDP. Compulsory state ownership clauses can be replaced by additional royalties. The Law also stipulates that:

- For mineral deposits identified after an exploration financed by state budget funds, the share of public ownership shall be determined by the mining contract.
- In the case of the exploitation of a strategically important mineral deposit, the State may own up to 50% of the deposit if the deposit is explored with state budget funds.
- In the case of a strategically important mineral deposit that has been explored and identified with private funds, the State may own up to 34% of the shares of the company. Accordingly, the Government owns 34% of the Oyu Tolgoi gold and copper project, while Canada's Turquoise Hill Resources holds the remainder of the shares.

- In the case of radioactive mineral deposits explored with state budget funds, the State shall own at least 51% of the shares.
- In the case of radioactive mineral deposits explored and identified with private funds, the State shall own at least 34% of the shares of the company holding the mining licence to operate the deposit. Accordingly, Badrakh Energy LLC, which is the owner of the Zuuvch-Ovoo, Dulaan Uul, and Umnut uranium deposits located in Ulaanbadrakh soum in Dornogobi aimag, is owned by the state-owned Mon-Atom LLC (34%), and by the French and Japanese joint venture Areva-Mongolia LLC (66%).
- Radioactive mineral deposits are classified as strategically important mineral deposits, regardless of their size, and the Government has exclusive powers over their ownership and use.

4.55. The Law stipulates that only legal entities incorporated in Mongolia can apply for and hold licences for mineral exploration. This requirement does not preclude a 100% foreign ownership of the entity. Exploration licences can be granted either upon the request of the legal entity or by way of tendering. The holder of an exploration licence has the exclusive right to apply for and to obtain a mining licence covering all or any portion of the exploration licensed area. The MRPAM grants mining licences for a period of 30 years, which can be extended for up to two 20-year periods. If the exploration licence holder fails to submit an application for a mining licence upon the expiration of its exploration licence, the mining licence for the area is put out to tender.

4.56. Procedures applied for the granting of mining exploitation licences differ regarding land rights, depending on the degree of foreign ownership of the applying entity. For an entity whose capital comprises between 25% and 100% foreign investment, the licence holder can obtain only a land-use right. Entities with less than 25% foreign investment are considered domestic entities, and are eligible to obtain a land possession right. Another difference in treatment between domestic and foreign entities is the requirement that foreign SOEs investing in an entity operating in the mining sector need prior approval from the authorities if they acquire 33% or more of the shares. This requirement stems from the generic investment law applicable to all economic sectors.

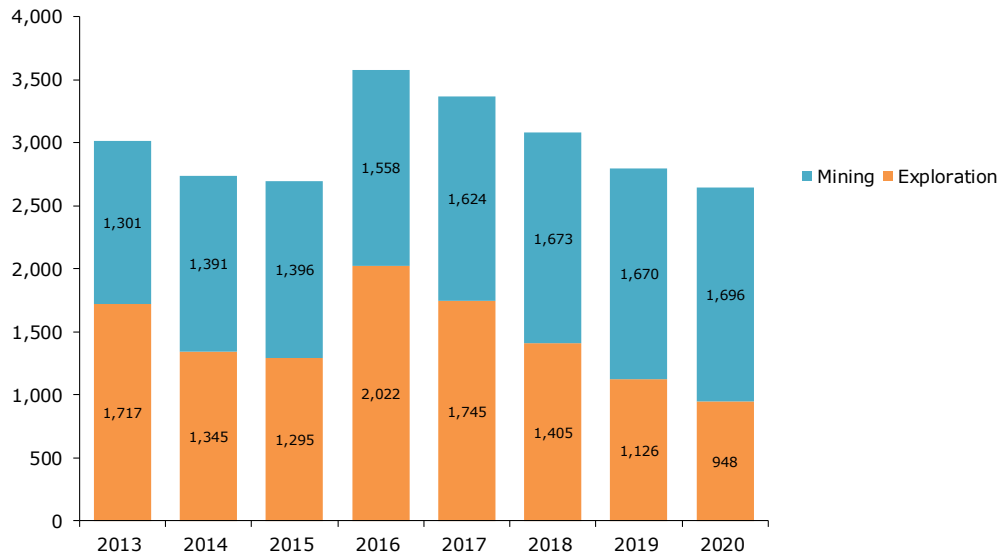
4.57. Holders of mining licences on strategic deposits must trade at least 10% of their shares on the Mongolian stock exchange. Holders of mining licences must give preferential supply of mined and semi-processed mining products to domestic refineries or processing plants that operate in Mongolia, at market price.

4.58. A mining licence can be transferred if:

- the licence holder was reorganized through a merger or consolidation;
- the licence holder sold the mining equipment, machinery, and documents, and proved that the applicable tax was fully paid for the purchase of the same; or
- in the case of the licence holder defaulting on its obligations under the pledge agreement or underlying loan agreement, the pledgee may enforce the licence pledge by transferring it to itself or a third party that is incorporated under Mongolian law to be the resident taxpayer.

4.59. Chart 4.4 details the number of exploration and mining licences granted during the review period.

Chart 4.4 Exploration and mining licences granted, 2013-20

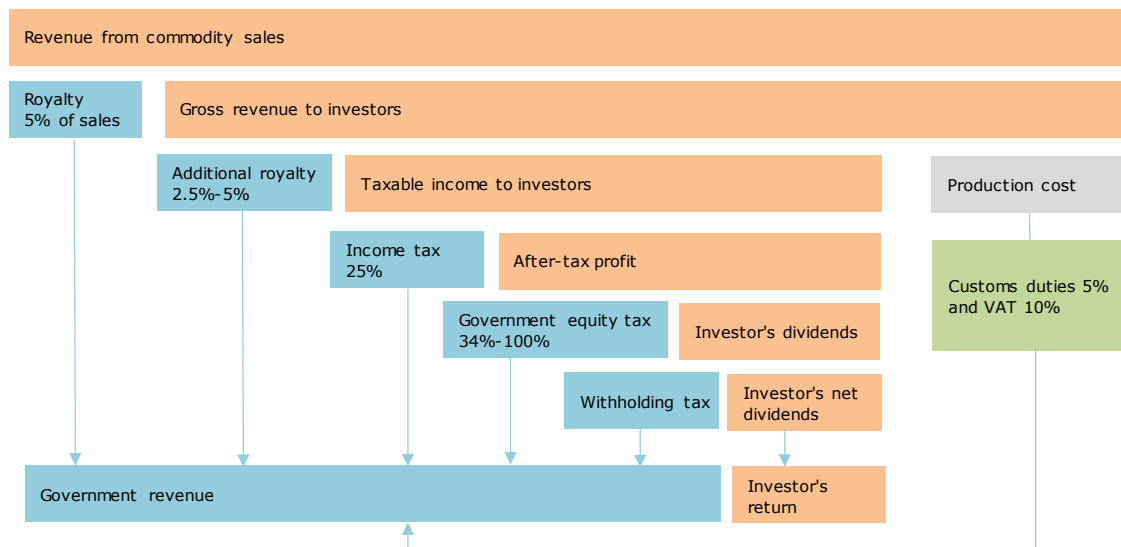


Note: 2020 figures are provisional.

Source: Data provided by the authorities.

4.60. Chart 4.5 describes the tax regime of mining in Mongolia. Relevant laws and regulations apply equally to both domestic and foreign investors.

Chart 4.5 Key fiscal instruments



Note: Fiscal instruments are in blue, and the tax base is in green.

Source: Asian Development Bank. Viewed at: <https://www.adb.org/sites/default/files/publication/611416/mongolia-economic-prospects.pdf>.

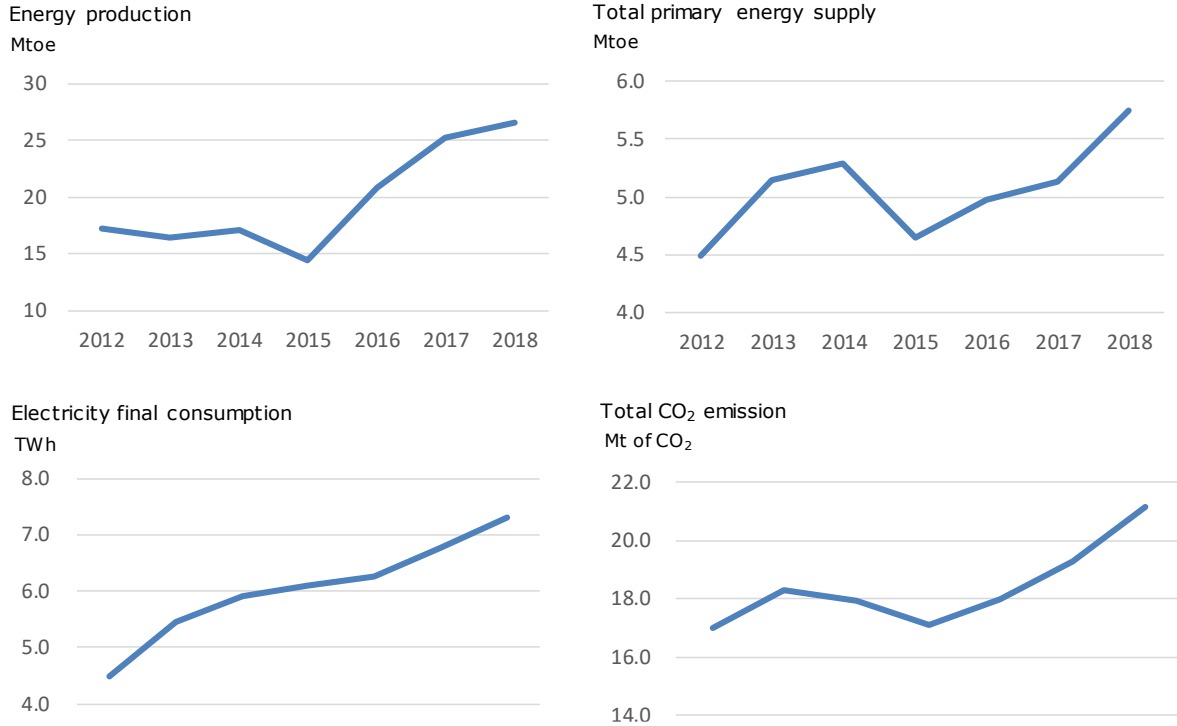
4.2.2 Energy

4.2.2.1 Overview

4.61. Chart 4.6 provides the key energy indicators as defined by the International Energy Agency (IEA). It illustrates a downturn until 2015 for energy production, supply, and emissions, but not for electricity consumption, which shows constant growth. It also shows the absence of a decoupling between energy production and supply, on the one hand, and carbon emissions, on the other. This

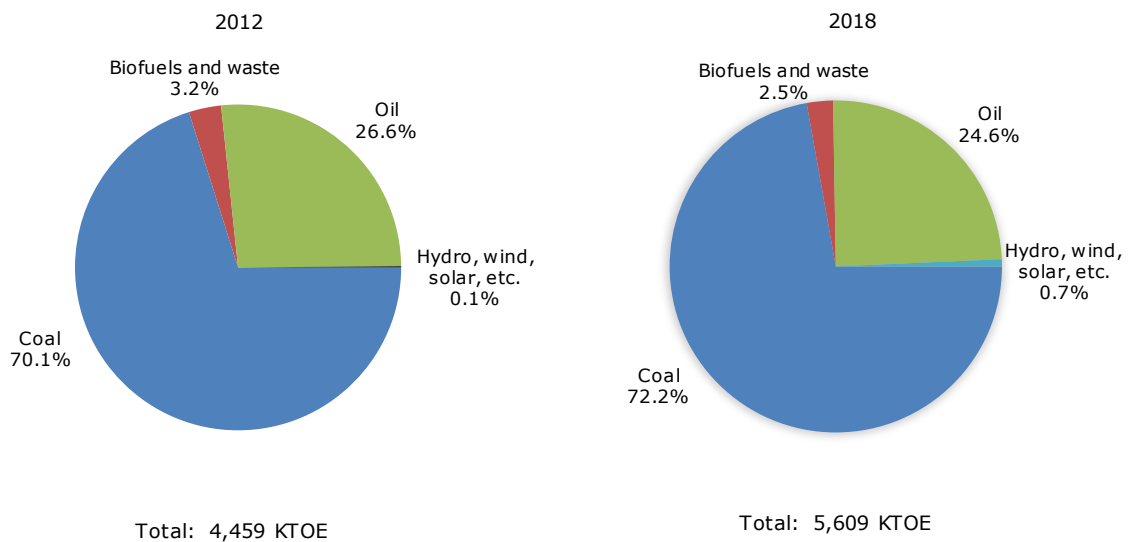
is largely due to the prominent share of coal in the energy supply, a share that increased during the review period. Chart 4.7 illustrates the evolution of the total primary energy supply between 2012 and 2018.

Chart 4.6 Key energy statistics, 2012-18



Source: IEA. Viewed at: <https://www.iea.org/countries/mongolia>.

Chart 4.7 Total energy supply (TES) by source



Source: IEA. Viewed at: <https://www.iea.org/countries/mongolia>.

4.62. As illustrated by Chart 4.7, energy consumption grew by 25%, but the relative shares of the sources remained stable. The largely dominant share of coal grew, whereas that of biofuels and waste, which was already marginal, diminished. The share of hydro, wind, and solar energies

increased seven-fold but from a very low base. In fact, the total of renewables diminished (from 3.3% to 3.2%).

4.63. In 2014, Mongolia adopted the Green Development Policy (Parliamentary Resolution No. 43), whose objective is to promote a sustainable consumption and production pattern with efficient use of natural resources, and reduced greenhouse gas emissions and waste generation. It aims to reduce greenhouse gas emissions, through increased energy efficiency, by 20% by 2030, and to ensure that the share of renewables used in total energy production reaches 20% by 2020, and 30% by 2030. This goal could be achieved by investing in greener energy production processes and in other industrial technologies, reducing excessive consumption and losses, and optimizing pricing policies.

4.64. Mongolia ratified the Paris Agreement in 2016, confirming its intended Nationally Determined Contribution (NDC) of 2015, to reduce greenhouse gas emissions by 14% below the business-as-usual scenario in 2030, equivalent to an annual reduction of approximately 7.3 Mt CO₂ of economy-wide emissions in 2030. On 19 November 2019, the Government approved an update with an increased NDC to reduce greenhouse gas emissions by 2030 to 22.7%, compared with the business-as-usual scenario of 2015. This revised NDC was submitted to the United Nations Framework Convention on Climate Change (UNFCCC) on 13 October 2020.

4.2.2.2 Hydrocarbons

4.2.2.2.1 Coal

4.65. Exploration and exploitation of coal mines come under the mining regime described in the section above. In 2019, more than 95% of the coal produced was exported to China.

4.66. The main use of non-exported coal and, in particular, of lignite is the generation of electricity and heating in Combined Heat Power (CHP) plants. This practice started in the 1960s, and creates significant environmental challenges for Mongolia. The Government has not set detailed targets to reduce coal dependency.

4.67. Both wholesale and retail trade of coal are open to private investors, including foreign investors.

4.2.2.2.2 Gas

4.68. No significant gas deposits have been found in Mongolia. There is almost no consumption of gaseous fuels, except for small amounts of liquefied petroleum gas (LPG), which is imported mainly from the Russian Federation for use in vehicles or for cooking purposes in households and restaurants. A gas pipeline linking the Russian Federation and China through Mongolia is envisaged, and a feasibility study has been launched in 2020 by Gazprom and the Government.

4.2.2.2.3 Oil

4.69. The exploration and production of crude oil follow a specific regime distinct from the general mining regime outlined in the Petroleum Law, 2014. The main objective of the Law is to attract further foreign investments.

4.70. Out of 33 prospective oil exploration fields, 17 foreign and 18 local contractors have signed Product Sharing Agreements (PSAs) on 17 fields, and are conducting oil exploration activities as detailed in Table 4.12.

4.71. Crude oil is being extracted from three oil fields in accordance with PSAs, namely the Toson-Uul XIX and Tamsag XXI fields located in Dornod aimag (PetroChina Daqing Tamsag LLC, China), and the BKHG-97 field located in Dornogobi aimag (Dongsheng Petroleum Mongolia LLC, China).

4.72. Prospecting is a preliminary stage of the mineral exploration. A licence is not required to prospect, but the MRPAM must sign a prospecting agreement with the interested party. The Petroleum Law distinguishes between two main categories of petroleum products, conventional "oil" (i.e. crude oil, natural gas, and refined petroleum) and "unconventional oil" (i.e. oil sands and shale). Conventional and unconventional oil exploration activities are carried out on the basis of a PSA. The

MRPAM negotiates and enters into a PSA with investors, upon approval from the Government, to conduct oil exploration in the specified exploration field. The MMHI issues, extends, suspends, and revokes exploration and mining licences.

Table 4.12 Oil exploration licences

Site name	Contractor	Investors' registered jurisdiction
Matad XX	PetroMatad LLC	Cayman Islands, (a British Overseas Territory)
Nyalga XVI	Shaman Resources Limited	Canada
Galba XI	Zon Hen Yu Tian Limited	China
Sulinkheer XXIII	Shunkhlai Energy Co., Ltd	Mongolia
Huhnuur XVIII	NPI Co., Ltd	China
Bogd IV	Cupcorp Mongolia LLC	Cayman Islands
Ongi V		
Bayantumen XVII	Magnai Trade LLC	Mongolia
Dariganga XXIV	Mongolia Shin II Energy (Apexpro Investment Ltd)	China
Tokhom X (south)	Mongolyn Alt MAK LLC	Mongolia
Sukhbaatar XXVII	Wolf Petroleum LLC	Australia
Nomgon IX	South Mongolian Oil LLC	Mongolia
Uvs I	Mongolia Gladwill Uvs Petroleum LLC	Hong Kong, China
Kherlentokhoi XXVIII	Well-Pack Industrial LLC	Hong Kong, China
Khar-Us II	Renova Ilch LLC	Hong Kong, China
Arbulag XXIX	Max Oil LLC	Mongolia
Tariach XV	China Golden Sea LLC	China

Source: Information provided by the authorities.

4.73. Entities carry out petroleum research and sales activities under exploration and production licences; additional licences are not required. As there is not an existing oil refinery in Mongolia, the extracted crude oil is exported to China. The F-type licence for export transport is issued by the National Road Transport Center, an agency of the MRTD.

4.74. The term of an oil exploration licence cannot exceed eight years, and may be extended twice for two-year periods. The term of an oil extraction licence is 25 years, and may be extended twice for up to 5 years.

4.75. Unconventional oil exploration licences are issued for a term of a maximum of 10 years, which may be extended once for a maximum of 5 years.

4.76. Furthermore, an exploration licence may be issued to a company that was successful in its bid for an oilfield where the MRPAM and a company conducting research have not been able to conclude a PSA. As specified in the Petroleum Law, the contractor shall receive petroleum cost reimbursements only when the sale of oil begins. The reimbursement is paid on 40% of the oil remaining after the oil for which royalties are paid is deducted from the total oil extracted in a given year incurred during the exploration, exploitation, and processing phases can be reimbursed up to the amount stated in the PSA. According to Article 32 of the Petroleum Law, once the term of a PSA ends, the contractor shall not be granted the portion of cost-recoverable expenses, and they shall remain unrecovered.

4.77. The Government shall not pay any interest on the contractor's accumulated expense for cost recovery. The Petroleum Law, 2014, adopted additional rules and some key provisions of the PSA template. The PSA template was approved by Government Resolution No. 104, 2015, for petroleum exploration and production. Some changes were made to the template regarding confidentiality conditions of agreement. Government Resolution No. 5, 2018, "Procedure for payment, allocation and spending of petroleum royalty and license" and the Government Resolution No. 178, 2019, "Procedure for petroleum accounting and settlements" were also adopted.

4.78. The Petroleum Products Law, 2005, regulates the import, production, domestic trade, transportation, and storage of petroleum products defined as "all types of fuel products, special liquids, combustible gas, lubricating materials, bitumen, black oil and other products that are produced through the refining of petroleum and other chemical compounds".

4.79. The import, production, and domestic trade of petroleum products require a petroleum products licence from the MMHI, whereas transportation and storage activities do not require a specific licence but must be carried out in compliance with the Petroleum Products Law and relevant rules and regulations issued by the MRPAM. An amendment was also made to the Petroleum Products Law, 2013, requiring an additional licence for the retail trade of petroleum products delivered by the MMHI.

4.80. Mongolia has 31 exploration blocks for crude oil, and the country's current proven oil reserves are about 332.64 million tonnes. Table 4.13 details the production, imports, and exports of oil, crude oil, and oil products during the review period.

Table 4.13 Oil, crude oil, and oil products production, imports, and exports, 2012-19

		2012	2013	2014	2015	2016	2017	2018	2019
Production of crude petroleum oil	'000 barrels	3,636.0	5,128.9	7,405.3	8,769.3	8,249.8	7,624.1	6,388.6	6,876.1
Export of crude petroleum oil	'000 barrels	3,568.0	5,243.8	6,885.1	8,135.2	8,015.9	7,514.2	6,189.8	6,545.2
Export of crude petroleum oil	USD million	336.0	515.5	634.6	387.2	337.2	374.1	392.0	366.7
Imports of petroleum products									
Total below	'000 tonnes	1,144.7	1,194.4	1,131.2	1,119.0	960.8	1,249.1	1,327.6	1,671.5
	USD million	1,339.6	1,369.6	1,112.8	668.3	461.0	692.5	918.7	1,031.5
Gasoline	'000 tonnes	389.1	380.1	416.0	433.5	385.3	410.9	435.5	541.5
	USD million	474.1	439.6	425.4	274.0	192.9	243.7	308.1	327.4
Diesel fuel	'000 tonnes	715.5	772.9	685.9	655.0	548.1	805.3	848.8	1,080.4
	USD million	818.7	880.6	656.2	376.7	254.8	427.9	576.7	669.4
Jet fuel	'000 tonnes	36.2	38.8	26.2	27.3	24.8	30.7	40.3	46.6
	USD million	43.9	47.5	29.1	16.6	12.6	20.1	32.4	33.3
Heavy oil	'000 tonnes	3.9	2.6	3.1	3.2	2.6	2.2	3.0	3.0
	USD million	2.9	1.8	2.1	1.1	0.6	0.7	1.5	1.4

Source: IEA; and *Mongolia Statistical Yearbook, 2019*.

4.81. As illustrated by the table, crude oil is exported in its quasi-totality because Mongolia does not yet have any refining facilities. The first such facility is due to open in 2022, with a planned capacity to cover three quarters of the country's needs. To that effect, Government Resolution No. 92, dated 20 March 2017, on "Establishing a state-owned enterprise", approved the creation of an up 100% state-owned company, Mongol Refinery LLC, to implement the oil refinery project and manage the facility. In addition, Government Resolution No. 59, 2017, approved the financing of the project by a USD 1.24 billion Soft Loan Agreement established between the Government and EXIM Bank of India. According to the Agreement, the Project Management Consultant and EPC (engineering, procurement, and construction) contractors shall be selected from Indian companies. Government Resolution No. 323, dated 24 October 2018, stipulated that the MMHI shall exercise shareholders' rights of Mongol Refinery LLC.

4.82. Mongolia currently imports all of its refined products from neighbouring countries, and the overall trade balance of oil and oil products is largely negative.

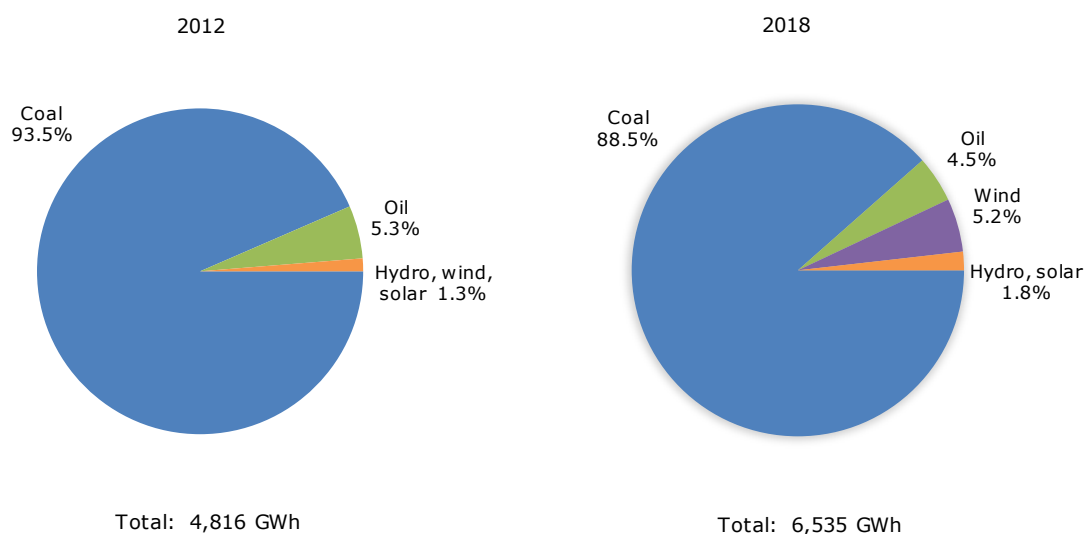
4.2.2.3 Electricity

4.83. Over 90% of the population has access to electricity at affordable prices.⁴⁹ This level of access was achieved by a voluntarist policy of expansion of the electricity grid and the governmental price control of electricity tariffs compensated by equity infusions into electricity companies. Because of Mongolia's harsh climate, the provision of heat and electricity to the population, even below cost, is seen as an absolute political priority by the Government. The country intends to tackle the lack of economic viability of the sector by a massive investment programme partially financed by foreign and private funds and by reform. Another illustration of this priority was the Solar Home System (SHS), a government-subsidized programme from 2008 to 2012, that provided virtually all herder families with access to electricity for lights, televisions, and mobile phones.

⁴⁹ World Bank, *Systematic Country Diagnosis, Mongolia*. Viewed at <https://elibrary.worldbank.org/doi/pdf/10.1596/30973>.

4.84. Chart 4.8 describes the Mongolian production of electricity, by source, in 2012 and 2018.

Chart 4.8 Electricity generation, by source, 2012 and 2018



Source: IEA, *Mongolia*. Viewed at: <https://www.iea.org/countries/mongolia>.

4.85. Coal remains the predominant source of electricity generation, but its share diminished by 5% (Chart 4.8), in contrast to its growth in total energy consumption. The share of oil also decreased slightly, while wind energy achieved a remarkable breakthrough due to a massive investment programme. Hydro and solar energy also shows an increase, but not a significant one.

4.86. Mongolia has 19 generation facilities (9 combined heat and power plants (CHPPs), 3 wind power plants, 2 hydroelectric power plants (HPPs), and 5 solar power plants) with a total installed capacity in 2020 of 1,407 MW, of which 275 MW (i.e. 19.3%) is from renewable sources. These plants cover about 80% of the country's needs, while the remainder is imported from China and the Russian Federation. Table 4.14 describes the evolution of production, imports, and use of electricity during the review period.

Table 4.14 Electricity indicators, 2012-19

(Million kWh, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019
Supply	5,181.6	6,215.0	6,725.0	6,930.0	7,113.4	7,601.7	8,201.0	8,623.1
Gross generation	4,815.6	5,019.5	5,375.8	5,513.2	5,667.1	6,027.3	6,535.3	6,900.4
Imports	366.0	1,195.5	1,349.2	1,416.8	1,446.3	1,574.3	1,665.7	1,722.7
Use	3,772.6	4,732.1	5,158.4	5,283.5	5,445.7	5,948.7	6,449.7	6,846.4
Industry and construction	2,338.9	2,930.7	3,171.6	3,261.4	3,356.3	3,692.0	4,003.0	4,249.2
Transport and communication	156.8	196.9	211.4	216.5	222.9	247.4	268.3	284.8
Agriculture	39.8	49.9	63.7	54.8	56.6	62.8	68.1	72.3
Household, housing, and community amenities	906.7	1,139.2	1,251.4	1,277.5	1,321.3	1,426.6	1,546.7	1,641.9
Other	330.4	415.4	460.4	473.3	488.6	519.8	563.6	598.3
Losses in transmission and distribution	675.4	739.5	760.8	817.5	883.0	810.9	875.3	891.6
Station internal use	712.4	725.3	772.4	778.2	748.7	816.4	849.3	860.9
Exports	21.2	18.2	33.4	50.8	36.0	25.7	26.7	24.1
Electricity produced per capita, kWh	1,762.3	1,797.9	1,866.2	1,860.0	1,872.2	1,945.8	2,068.8	2,163.1

Source: IEA, *Mongolia*. Viewed at: <https://www.iea.org/countries/mongolia>.

4.87. While the production per capita grew consistently during the review period, consumption grew faster; thus, the relative share of imports within the total supply grew (from 7% in 2012 to 20% in 2019). The high share of industry (62%) among the final uses indicates the importance of mining.

4.88. During the review period, the structure and organization of the sector remained largely unchanged. From a regulatory point of view, the Ministry of Energy is in charge of the overall policy of the sector, and the Energy Regulatory Commission (ERC): (i) sets prices for heat and electricity; (ii) establishes the methodologies to calculate prices for fuel used to generate electricity; and (iii) provides for the functioning of the electricity market. The ERC is also responsible for issuance of licences for electricity generation, transmission, and distribution; dispatching arrangements; electricity import and export; construction of energy facilities, and gas and heating supply. It monitors and evaluates the activities of licence holders. Regulatory decisions by the ERC may be appealed in the Administrative Court if an energy enterprise disagrees with an ERC decision.

4.89. From an operational point of view, the sector is unbundled. The ownership and the management of renewable energy power plants are partially privatized and open to foreign investment; the remainder of the sector is, for the time being, state-owned and publicly managed.

4.90. Regarding unbundling, a 2001 law created 18 state-owned corporations (now 25) that separated generation, transmission, and distribution: nine thermal power plants⁵⁰, one national transmission grid, five regional distribution networks, two heating networks⁵¹, five electricity systems (i.e. regional grids), and one metallurgical plant and one coal mine (each with its own energy-generation facilities).⁵²

4.91. These entities are currently state-owned and managed, as none has yet been privatized or concessioned. There is no competition among them. Electricity tariff is determined by the ERC, based on the cost and inflation.

4.92. Renewable energy facilities are mostly funded by foreign investments. The Renewable Energy Law provides for competitive bidding for renewable energy sources.

4.93. Regarding privatization, while generation and distribution/retail companies could be privatized, transmission and distribution will remain public in the medium term. The transmission company operates a single-buyer system. The National Dispatching Center operates both a spot and an auction market.

4.94. There is no single unified national electricity network. Instead, the electricity system is composed of five grids, four of them interconnected. Table 4.15 details the capacity installed for each grid and its share of consumers.

Table 4.15 Number of consumers by grid

Grid	Share of electricity consumers
Central Energy System (CRES)	83.8%
Southern Region Energy System (SRES)	2.3%
Western Region Energy System (WRES)	6.4%
Eastern Region Energy System (ERES)	4.2%
Altai-Uliastin Energy System (AUES)	3.2%

Note: Percentages do not add to 100% due to rounding.

Source: Information provided by the authorities.

4.95. The electricity system faces several challenges, in addition to its economic viability: the constant growth in consumption; the increasing dependency on imports; the obsolescence and environmental footprint of the existing CHP plants; the large energy losses incurred during the

⁵⁰ Thermal power plants 2, 3, and 4; Darkhan Thermal Power Plant; Erdenet Thermal Power Plant; Dalanzadgad Thermal Power Plant; Baganuur Thermal Power Plant; Nalaikh Thermal Power Plant; and Dulaan Shar River Thermal Power Plant.

⁵¹ Ulaanbaatar Heating Network and Darkhan Heating Network.

⁵² Darkhan Metallurgical Plant and Baganuur coal mine.

generation, transmission, and distribution processes; the decarbonization of the industry; and the financing of new capacities.

4.96. To address these challenges, during the review period, Mongolia reorganized its legislative and strategic framework for electricity. It adopted two major policies that define renewable expansion plans, targets, and measures for improved efficiency in the energy supply sector, e.g. the reduction of transmission and distribution losses:

- the State Policy on Energy (2015-30) of 2015 (Parliamentary Resolution No. 63); and
- the Mid-Term National Programme to Develop the State Policy on Energy (2018-23), of 2018 (Parliamentary Resolution No. 325).

4.97. The State Policy on Energy (2015-30) foresees two stages. During the first stage (2015-23), the capacity is planned to double (with the construction of six coal power plants and two hydropower plants), highly efficient equipment will be introduced, the share of hydropower is planned to reach at least 10%, and the tariff structure will be reformed to ensure the economic viability of the sector.

4.98. During the second phase (2024-30), the energy security reserve, i.e. the potential maximum capacity needed to face peaks, will increase by at least 20%, the share of renewable energy sources in total installed capacity is planned to reach 30%, a unified energy system with a smart grid will replace the five present systems, the distribution system will be fully privatized, and the sector will operate on a competitive market basis. Mongolia also plans to start exporting high-voltage electricity, notably through the 5.38 GW Shivee-Ovoo coal plant project, to cater to the needs of its neighbours.

4.99. Table 4.16 details the objectives and the indicators of the State Policy on Energy, compared with the status of the sector in 2014.

Table 4.16 Detailed indicators and objectives of the State Policy on Energy (2015-30)

Indicators/objectives	2014 base	End of the first stage (2023)	End of the second stage (2030)
Reserve electrical installed capacity (i.e. maximum potential capacity installed to face consumption peaks)	-10%	≤10%	≤20%
Reserve heat installed capacity for big cities	3%	≤10%	≤15%
Profit margin for electrical tariff for central energy system	-16.22%	0%	5%
Power plants used during the generation process	14.4%	11.2%	9.14%
Electrical transmission, distribution losses	13.7%	10.8%	7.8%
Share of renewable energy in the installed capacity	7.62%	20%	30%
Greenhouse gas emission per Gcal of energy production	0.52 tonnes CO ₂ equivalent	0.49 tonnes CO ₂ equivalent	0.47 tonnes CO ₂ equivalent
Reduction of building heat losses	0%	20%	40%
Technologies used	- High pressure	- Subcritical pressure technology - Natural gas technology - High-capacity energy storage technology, - Hydro reserve plant	- Supercritical and ultra-supercritical pressure technology - Hydrogen technology - Solar thermal power plant

Source: Information provided by the authorities.

4.100. The second element of this overall electricity strategy is the Mid-Term National Programme to Develop the State Policy on Energy (2018-23), which was approved by the Government in 2018. This national programme shall be implemented as part of the respective policies of the National Investment Program, the Government Action Program, the annual directives for economic and social development, the state budget, loans, and public-private partnerships. The programme's estimated

budget includes USD 2.6 billion in foreign investment and USD 230.0 million from the state budget. This expansion strategy was revised in January 2020 to take into account the impact of the COVID-19 pandemic and the additional environmental studies now required for the construction the mega hydropower project on the Eg River.

4.101. Table 4.17 details these revised expansion plans.

Table 4.17 Electricity capacity expansion plans, 2020-24

Expansion plan	Source of energy	Capacity	Calendar	Financing
Expansion of Thermal Power Plant 4	Fossil fuel	46 MW	2020-2021 (delayed due to COVID-19)	Loan from the Russian Federation
Expansion of Erdenet Thermal Power Plant	Fossil fuel	35 MW	First half of 2021 (delayed due to COVID-19)	-
Construction of Erdeneburen hydropower plant and building of 220 kW Erdeneburen-Myangad-Uliastai overhead transmission line and substation	Hydropower	90 MW	2021	Hydropower plant - concessional loan from the China: 95%; state budget: 5% Overhead transmission line and substation - state budget: 100%
Expansion of Choibalsan Thermal Station	Fossil fuel	50 MW	2021	Concessional loan from China: 95%; state budget: 5%
Construction of Tavan Tolgoi Power Plant and related infrastructure	Fossil fuel	450 MW	-	Erdenes Tavantolgoi LLC: 30%; Mongolian Development Bank: 70%
Construction of a 300 MW - 400 MW power plant based on coal deposits in the central, eastern, and Gobi regions	Fossil fuel	300-400 MW	-	-
Increase the capacity of Amgalan thermal power plant by a combined 50 MW	Fossil fuel	50 MW	2023	State budget: 15%; Development Bank Loan: 85%
Construction of a gas power plant based on the infrastructure of Thermal Power Plant II in Ulaanbaatar	Gas	-	2024	Foreign concessional loan; public and private investment

Source: Information provided by the authorities.

4.102. The construction of the 90 MW Erdeneburen hydropower station in the western region will begin in 2021, and a 100 MW battery energy storage system and hydropower storage facilities are planned for the central region.

4.103. The State Policy on Energy was complemented during the review period by the adoption of two pieces of technical legislation. First, in June 2015, an amendment to the Law on Energy of 2001, introduced the concepts of "independent power producers" and "power purchase agreement". The sale of energy produced by an independent power producer will be regulated by a contract. The amendment sets minimum and maximum tariffs for this contract, and provides for the construction of new power sources and transmission lines, and for the modalities of the contract regarding connection to the national transmission grid.

4.104. Second, two amendments, in 2015 and in 2020, to the Law on Renewable Energy of 2007 created and then reformed a Feed in Tariffs (FIT) system that is based on a location-, capacity-, and technology-specific competitive bidding and auction system. The electricity generated and supplied by wind power generators is presently valued at up to USD 0.085 per kWh, and that supplied by solar power generators at USD 0.12 per kWh.

4.3 Manufacturing

4.105. Manufacturing's share in GDP has fluctuated over the period under review; it increased from 9.7% in 2014 to 10.5% in 2019 (8.0% in 2016). It accounted for around 8% of total employment during the review period. The authorities divide the manufacturing sector into two (heavy industry and light industry), in part because the two areas are overseen by separate ministries. Heavy industry includes metallurgy and the production of gemstones, and is under the responsibility of the MMHI. Light industry, including food processing, wool, textiles, wood, and packaging, is under the MOFALI. Each ministry is responsible for policy initiatives, regulations, and rule-making for its subsector. Most of the light manufacturing is located near Ulaanbaatar, whereas heavy industry is located throughout the country near raw material extraction areas to facilitate integrated operations. As at the first quarter of 2020, Mongolia had approximately 8,000 active registered enterprises in manufacturing – around 3,000 enterprises in the light manufacturing sector, and 5,000 in the heavy.⁵³

4.106. Mongolia's manufacturing sector exhibited significant growth during the review period, with the value of gross output more than tripling between 2013 and 2019, from MNT 3.2 billion to MNT 9.9 billion (Table 4.18). Much of this growth is attributable to the food and beverage sector, which accounted for over half of the manufacturing output in 2019 (MNT 5.1 billion), and to the coke, chemicals, and mineral products sector (MNT 2.6 billion). Albeit from a lower base, there was also significant growth in the textiles and clothing and the basic and fabricated metals sectors during the period. Only the computer, electrical, machinery and equipment sector had lower output in 2019 compared to 2013.

Table 4.18 Gross manufacturing output, 2013-19

(MNT million)

	2013	2014	2015	2016	2017	2018	2019
Total	3,212.8	4,042.7	5,320.2	5,210.1	6,780.3	8,635.1	9,873.6
Manufacturing of:							
Food, beverages and tobacco	1,118.2	1,403.3	3,221.5	2,976.0	3,357.3	4,522.7	5,125.7
Textiles and clothing, leather and related	551.0	648.2	672.6	740.2	840.6	982.8	1,027.8
Wood, paper, and printing, etc.	186.5	195.3	229.7	239.0	287.3	311.3	315.0
Coke, chemicals, and mineral products	1,027.0	1,241.1	614.9	789.6	1,748.2	2,175.3	2,645.5
Basic metals and fabricated metal products	185.3	369.5	385.6	290.7	338.1	433.6	445.8
Computer, electrical, machinery and equipment	57.2	74.6	70.0	20.4	33.0	34.9	37.6

⁵³ Mongolian Statistical Information Service, *Number of Business Entities Registered with the Business Registration Fund, by Sector of Economic Activities, by Activity*. Viewed at: http://1212.mn/Stat.aspx?LIST_ID=976_L26&type=tables; and information provided by the authorities.

	2013	2014	2015	2016	2017	2018	2019
Motor vehicles and other transport vehicles	2.5	1.2	5.1	1.6	1.2	2.7	2.6
Furniture, other manufacturing, repair and installation	85.2	109.5	120.9	152.5	174.5	171.7	273.5

Source: National Statistics Office of Mongolia, *Mongolian Statistical Yearbook, 2019*.

4.107. Mineral products, including unprocessed and semi-processed minerals, dominate Mongolia's exports. The next two significant categories of exported manufactured goods are textiles and textile articles, and processed or semi-processed stones, each accounting for over USD 400 million in exports in 2019 (Table 4.19).⁵⁴ The majority of manufactured exports tend to have little value added, as they are products that have undergone only primary processing; this is particularly the case with the major exports, e.g. mineral concentrates and washed cashmere. Imported manufactured goods are less concentrated; the main categories of imported manufactured goods in 2019 were mineral products, machinery and equipment, and automobiles and other transport vehicles, each accounting for over USD 1 billion.⁵⁵

Table 4.19 Imports and exports of key manufactured goods, 2013-19

(USD million)

	2013	2014	2015	2016	2017	2018	2019
Exports (top five categories)							
Mineral products	3,495	4,791	3,678	3,484	4,934	6,070	6,377
Textiles and textile articles	283	339	303	300	335	410	435
Natural or cultured stones, precious metals, jewellery	310	406	421	762	597	145	419
Automobiles, other transport vehicles	21	35	17	70	17	25	79
Base metals and articles	22	48	72	86	101	92	78
Imports (top five categories)							
Mineral products	1,739	1,464	936	724	988	1,326	1,372
Machinery, equipment, etc.	1,395	985	786	680	921	1,286	1,241
Automobiles, other transport vehicles	1,001	616	368	436	623	897	1,164
Base metals and articles	552	539	372	211	334	540	542
Food products	412	383	329	329	379	437	444

Source: Mongolian Statistical Information Service, *Exports, by groups of goods, by month and year* and *Imports, by groups of goods, by month and year*. Viewed at: http://1212.mn/stat.aspx?LIST_ID=976_L14&type=tables.

4.108. Mongolia's manufacturing policy is directed by aspects of its overall policy guidance, e.g. Vision 2050 and, in the short term, the Action Plan of the Government for 2016-2020 and the recently enacted Action Plan of the Government for 2020-24.⁵⁶ The general policy of the Government on manufacturing, as enumerated in these policies, is to increase competitiveness and promote the development of the manufacturing sector; a particular emphasis is placed on developing a "national production" programme that prioritizes export-oriented production and import-substituting manufacturing. Other goals include developing the creative industry, establishing industrial or technology parks, and promoting value-added food-processing manufacturing.

⁵⁴ Mongolian Statistical Information Service, *Exports, by groups of goods, by month and year*. Viewed at: http://1212.mn/stat.aspx?LIST_ID=976_L14&type=tables.

⁵⁵ Mongolian Statistical Information Service, *Imports, by groups of goods, by month and year*. Viewed at: http://1212.mn/stat.aspx?LIST_ID=976_L14&type=tables.

⁵⁶ Legalinfo, *Resolution No. 24 on Approval of the Action Plan of the Government of Mongolia for 2020-24*, 28 August 2020. Viewed at: <https://www.legalinfo.mn/law/details/15586>.

4.109. In June 2015, Mongolia established its Industrial Policy with the main purpose of developing industry as a priority sector to ensure the sustainable development of the country.⁵⁷ It sets out eight main objectives, such as improving the legal environment, and supporting advanced technology industries (Box 4.3). The Policy is designed to be implemented in three stages, of five years each, between 2015 and 2030. In the first stage (2015-20), the emphasis was on protecting national production, processing basic raw materials domestically, supporting exports by introducing machinery and technology, and implementing an import substitution industrial policy. The second phase (2020-25) plans to create an export-dominated industrial structure and the third phase (2025-30) will develop knowledge-based industry and support the export of services and technology. Mongolia also developed a number of sector-specific programmes or policies for certain manufacturing sectors during the review period (Table 4.20).

Box 4.3 Industrial policy objectives

Improve the legal environment of the industrial sector and create favourable conditions for production
Define industrial development zones and develop the Integrated Industrial Planning and Mapping of Mongolia, in accordance with the ecosystem, population, settlements, raw material resources, and infrastructure policy
Identify industrial priorities, and plan and implement industrial clusters, free zones, industrial and technology parks, and transport and logistics networks
Support effective cooperation between the Government, scientists, and the private sector in industry
Support the establishment of industry based on advanced techniques, high-tech technologies, innovation, economically and socially efficient processing, and recycling through investment and financial policies
Support and develop the creative industry
Support the training and professional development of human resources in the industrial sector
Create a favourable environment for the development of trade and services and diversify exports

Source: Legalinfo, *Resolution No. 62 on Approval of the State Policy on Industry*, 19 June 2015. Viewed at: <https://www.legalinfo.mn/law/details/11129>.

Table 4.20 Manufacturing programmes, 2013-20

Programme	Years in operation	Sector	Summary	Reference
Industrialization 21: 100 Program	2018-21	Light industry	To address challenges in the manufacturing sector, five specific objectives were identified, such as supporting production through financial and investment policies, and increasing the production of value-added products	https://www.legalinfo.mn/annex/details/8272?lawid=13205
Cashmere programme	2018-21	Cashmere	To develop cashmere production techniques and technologies, increase the range and production of finished products, and support exports	https://www.legalinfo.mn/law/details/13204
Packaging national programme	2017-21	Packaging	To create a favourable legal and business environment for sustainable development, and to reduce the use of harmful packaging	https://www.legalinfo.mn/law/details/12018

⁵⁷ Legalinfo, *Resolution No. 62 on Approval of the State Policy on Industry*, 19 June 2015. Viewed at: <https://www.legalinfo.mn/law/details/11129>.

Programme	Years in operation	Sector	Summary	Reference
High-tech industry policy	Not specified	High-tech industry	To develop the high-tech industry to a level that ensures the sustainable development of the national economy	https://www.legalinfo.mn/law/details/6632

Source: As indicated in the table.

4.110. The Government supports the manufacturing sector through a number of measures and incentives. In 2015, Mongolia passed a law on Production Support that is aimed at supporting export-oriented and import-substituting industries.⁵⁸ It provides for various types of support measures. For example, if an enterprise exports more than 30% of its products, a reduction in the interest rate on loans from commercial banks is paid by the Government. For certain high-tech manufacturing, up to 75% of the R&D expenditures may be reimbursed by the Government. Export financing may also be provided to firms that export. The law establishes an Industrial Development Fund for the purpose of financing the various measures. According to the authorities, no support has been provided by the Fund to date.

4.111. In 2015, Mongolia also passed a resolution requiring state and local governments to procure certain listed products from domestic manufacturers.⁵⁹ The list contains 14 broad categories of manufactured goods that are required to be purchased from domestic factories that meet certain standards and quality requirements.

4.112. Further, certain machinery, equipment, and raw materials used in manufacturing may be subject to customs and/or VAT exemptions (Sections 3.1.3.2 and 3.1.4.1). The cashmere industry has also historically had state support measures, including a recent one related to the COVID-19 pandemic (Section 3.3.1). Free zones and industrial parks provide support through the development of manufacturing and trade, by offering certain benefits in terms of customs warehousing or providing clusters for synergies.

4.113. Certain subsectors of the manufacturing sector are regulated. In the heavy industry sector, the MMHI requires a licence for the operation of enterprises engaged in the production of precious metals and gemstones, metallurgy, and machinery. An application must be completed, and a fee must be paid.⁶⁰

4.114. The Government is involved in at least one manufacturing facility; it has a 50% interest in the state enterprise Erdenes Steel LLC, which manufactures steel (Section 3.3.5).

4.4 Services

4.4.1 Financial services

4.4.1.1 Overview

4.115. While the share of financial services in the GDP is relatively high and grew during the review period (from 4.7% in 2014 to 4.9% in 2019), the financial services sector remains relatively underdeveloped as illustrated by the absence of foreign banks on the national market and the low penetration rate of insurance. Table 4.21 provides the main economic indicators of the financial services sector during the review period.

⁵⁸ Ministry of Mining and Heavy Industry, *Law about Production Support*. Viewed at: <http://mmhi.gov.mn/uploads/file/ceabe852e8fc66ceede8a0884a036bff035ae275.pdf>.

⁵⁹ Resolution on Approval of the List, No. 336 of 17 August 2015. Legalinfo. Viewed at: <https://www.legalinfo.mn/law/details/11285>.

⁶⁰ Fees for the manufacture of articles of precious metals and gemstones range from MNT 800,000 to MNT 2,000,000; those for metallurgical processing and machine production range from MNT 200,000 to MNT 500,000.

Table 4.21 Main economic indicators of the financial services sector, 2014-19

	2014	2015	2016	2017	2018	2019
GDP (in current price, billion MNT)	22,227.1	23,150.4	23,942.9	27,876.3	32,411.2	37,280.8
Financial services (billion MNT)	1,041.8	1,239.7	1,224.3	1,417.5	1,559.1	1,802.4
Share in GDP, %	4.7	5.4	5.1	5.1	4.8	4.9
Total employment	1,040,711	1,067,589	1,132,843	1,266,942	1,256,356	1,155,945
No. of employed persons in the sector	19,426	20,508	23,576	24,924	22,216	21,172
of which insurance	1,183	1,122	1,171	1,355	1,342	1,195
Share in total employment, %	1.9	1.9	2.1	2.0	1.8	1.8
of which insurance	0.1	0.1	0.1	0.1	0.1	0.1
Net financial services exports, (million USD)	3.5	7.0	15.8	25.5	7.7	4.3
Net financial services imports, (million USD)	114.9	82.8	235.7	69.8	149.1	230.6
of which insurance	11.9	23.9	15.3	20.4	20.9	21.8

Source: Information provided by the authorities.

4.116. The financial system is dominated by 13 commercial banks. The non-bank financial services sector includes 532 non-bank financial institutions, 246 savings and credit cooperatives, 17 insurance companies, 54 insurance intermediaries, and 26 insurance loss-adjuster companies. This subsector accounts for only 6.3% of the sector's total assets.

4.4.1.2 Banking services

4.117. Table 4.22 describes the main indicators of the banking sector, while Table 4.23 and describes its lending and the securities portfolios.

Table 4.22 Main statistical indicators of the banking system, 2019

Name	Number of branches	Assets (billion MNT)	Share in total assets (%)	Deposits/ current accounts (billion MNT)	Share in total deposits/ current accounts (%)	Loans (billion MNT)	Share in total loans (%)	Equity (billion MNT)	Share in total equity (%)
Khan Bank	554	10,211.3	28.6	7,013.6	29.9	4,941.8	27.6	1,224.4	33.1
Trade and Development Bank	58	7,803.0	21.8	3,369.2	14.4	3,662.4	20.4	728.0	19.7
Golomt Bank	104	6,633.0	18.6	4,814.5	20.5	3,293.3	18.4	450.3	12.2
Bank of Mongolia	495	3,278.9	9.2	2,563.4	10.9	1,850.2	10.3	253.8	6.9
Khas Bank	78	3,454.8	9.7	1,843.2	7.9	1,827.6	10.2	248.6	6.7
Ulaanbaatar City Bank	34	1,704.6	4.8	970.3	4.1	830.1	4.6	165.7	4.5
Other banks	90	2,632.7	7.4	2,871.7	12.2	1,526.8	8.5	626.4	16.9

Source: Banks' quarterly financial reports; and Bank of Mongolia, banks' consolidated balance sheet.

Table 4.23 Lending and securities portfolios of the banking system, 2014-19

	2014	2015	2016	2017	2018	2019
Lending portfolio						
Total lending (billion MNT)	12,441	11,634	12,338	13,512	17,082	17,932
Agriculture	317	241	283	310	331	384
Construction	1,647	1,527	1,334	1,261	1,507	1,622
Manufacturing	1,318	1,286	1,294	1,373	1,446	1,430
Mining	1,130	1,164	762	1,034	1,233	1,518

	2014	2015	2016	2017	2018	2019
Real estate activities	2,223	1,525	1,969	1,905	1,824	2,067
Wholesale and retail trade	1,803	1,678	1,742	1,864	2,411	2,893
Other	4,003	4,212	4,955	5,764	8,329	8,018
Loans to non-residents (billion MNT)	88	97	148	152	400	391
Securities portfolio						
Total securities held (billion MNT)	1,196	1,774	1,411	4,501	5,269	5,135
Foreign securities	0	0	22	31	59	60
Domestic securities	1,196	1,774	1,388	4,470	5,209	5,075
Central Bank Bill	853	1,025	577	3,445	4,447	4,424
Other	343	749	811	1,025	763	651

Source: Bank of Mongolia.

4.118. The Bank of Mongolia, which is statutorily independent from the Government, is the supervisory authority of the sector and is responsible for monetary policy, banking supervision, bank licensing, and enforcement measures. The Financial Regulatory Commission (FRC) is responsible for the supervision and regulation for financial institutions other than banks, while the MOF is responsible for the fiscal policies applicable to the sector. Competition policies including those regarding financial consumers and financial operations are the responsibility of the Authority for Fair Competition and Consumer Protection.

4.119. Mongolia has no preferential arrangement affecting banking services. The Bank of Mongolia has signed MOUs with the financial supervisory authorities of China, Japan, and the Republic of Korea, which are aimed at enhancing cooperation in information exchange and capacity building.

4.120. As there is no subsidiary, branch, or unit of a foreign financial institution operating in Mongolia, the Bank of Mongolia does not explicitly recognize prudential norms of other countries and has not entered into agreements concerning these areas.

4.121. During the review period, Mongolia adopted or amended numerous technical regulations regarding banking services⁶¹, the most prominent of which in terms of market access being a new regulation on licensing (Decree No. A-82 of the Governor of the Bank of Mongolia, adopted on 22 March 2019). Further regulations are being drafted, notably on asset classification and provisioning, loan origination, approval and monitoring, collateral valuation, the stabilization fund⁶², and the appointment of independent members to the Board of Banks.

4.122. The new licensing regulation authorizes any legal entity and individual, except state and local government-owned legal entities and non-governmental organizations to establish a new bank, and sets out the following general requirements to do so:

- The planned bank shall have sufficient⁶³ paid-in capital to run stable and efficient banking operations.
- The planned bank shall not have an adverse impact on the nation's economic security.
- The capital invested in the planned bank must be obtained from legal activities, and financial documents proving a lawful source of the capital must be provided.

⁶¹ These regulations include those on evaluating, complying with, reporting, and monitoring restrictions on banking activities (related parties' regulation); requesting bank refinancing from the Government; refinancing a bank under resolution; bank liquidation; bank resolution; bank conservatorship; Non-Performing Loans strategy; approval of the change in size and structure of a bank's paid-in capital; the establishment and regulation of branches and other bank units on asset classification and provisioning; prudential ratios; implementing bank corporate governance; preventing money laundering and terrorism; financing; and onsite and offsite supervision of a bank's Anti-Money Laundering/Combating Finance Terrorism (AML/CFT) framework.

⁶² This fund is aimed at recapitalizing and improving the liquidity of banks.

⁶³ The minimum amount, which is currently MNT 50 billion, is set according to a Governor's decree.

- The shareholders, the board of directors, and the CEO must meet the requirements of the Banking Law:
 - Shareholders, if they are a legal entity, must be registered with the related authorities, subject to supervisory reviews, and structured so that the banking conglomerate can be examined by the Bank of Mongolia. They must report audited financial statements on an annual or more frequent basis. For persons to qualify as a "qualifying shareholder", they must: (i) not be a respondent, or a managerial official of a respondent legal person, in a bankruptcy case; (ii) not have been sentenced or convicted of crimes against the economy, ownership rights, public security vested interests, national and mankind security and peace; or convicted of corruption, (iii) have financial capacity and have not caused conditions that would adversely impact the operations of the bank; and (iv) have submitted sufficient evidence proving themselves to be the owner of the shares.
 - Member of the board of directors must not have: (i) overdue debts; (ii) a criminal record; (iii) a conflict of ethical and business reputation with regard to overseeing the bank; or (iv) a conflict of interest that adversely influences the decision-making process of the bank. Additionally, they must: (i) hold a degree in banking, finance, economics, law, information technology, or corporate governance; and (ii) possess at least 10 years of professional experience (5 of which must be in a managerial position at a bank/non-bank financial institution). Moreover, if the member was in a managerial position at a bank/non-bank financial institution whose licence was revoked and/or was subjected to administrative penalty, at least three years must have passed since that time.
 - In addition to the requirements set for a member of the board of directors, the CEO must not: (i) have conflicting interests or be a member of the board of directors; (ii) be a senior official of a legal entity engaged in non-financial activities that has ties to the Bank of Mongolia, other banks, or other banking conglomerates; (iii) have worked in a managerial position at the Bank of Mongolia in the last two years; and (iv) be in violation of any banking legislation or decisions by the Bank of Mongolia. Additionally, they must: (i) have a degree in banking, finance, or economics; and (ii) legally be able to run professional operations.

4.123. The new licensing regulation sets additional criteria for foreign established banks, namely:

- submitting the following documents: the decision of a foreign bank or financial institution to establish a bank, a bank branch, or a representative office; and the permission from a competent authority of the jurisdiction to operate;
- having been listed in the top 100 places of the Bankers' Almanac, in terms of total assets during the last three years;
- having been rated no lower than A per S&P or Fitch, or 2 per Moody's;
- having established a bank or a subsidiary in jurisdictions other than the country of incorporation and which has operated continuously or no less than three years;
- not having breached the banking legislation or requirements of its country of incorporation or other jurisdictions where it operates actively; not having been subject to licence revocation or suspension or subsidiary/bank closing; or not having its solvency status exacerbated due to these breaches during the last three years; and
- having its representative office operating in Mongolia for more than one year.

4.124. Banking licences are granted by the Bank of Mongolia. There are no limitations on the number of licences or on their time validity; licences must be processed within 60 days of the application. Selling or disposing of licences by banks is prohibited. The minimum capital requirement to obtain a licence is MNT 50 billion.

4.125. Mongolia has undertaken full GATS commitments for the first three modes of delivery (cross-border, consumption, and commercial presence) on a relatively large number set of banking subsectors, namely: (i) acceptance of deposits of money and other repayable funds from the public; (ii) negotiable loans and advances for the purpose of financing trade and commercial and fixed investments; (iii) payments/money collection and transmission services; (iv) guarantees and commitments; (v) trading for own accounts or for accounts of customers, on an exchange or an over-the-counter market, of the following: (a) cheques and other bills of exchange; (b) foreign exchange; (c) forward exchange rate agreements; (d) approved securities and other negotiable instruments; and (e) customers' fund management; (vi) financial and investment advisory services; (vii) provision and transfer of financial information and financial data processing; (viii) advisory and other auxiliary services, excluding intermediation, relating to banking and other financial services; and (ix) participation in issues of all kinds of securities, including underwriting and provision of services related to such issues.

4.126. These commitments were widened in the context of the Mongolia-Japan FTA, notably to all lending activities and to financial leasing.⁶⁴

4.127. In terms of administrative allocation of financial resources and sound prudential measures, the Bank of Mongolia sets reserve requirements for both domestic and foreign currencies (10.5% and 15%, respectively), minimum liquidity ratios (25%, but lowered to 20% under the current temporary relief measures), Tier I and total capital adequacy ratios (9% and 12%, respectively), capital conservation buffer depending on the systemic importance of banks (between 0% and 2%), and single and collective borrower exposures concentration limits (5% and 20%, respectively).

4.128. Concerning the determination of interest rates and fees, loan and deposit rates are determined by general market conditions and principles. Regarding the calculation methodology, banks are obliged to follow the Bank of Mongolia guideline on determining interests, and they must disclose information on the interest rates offered and the corresponding service and other fees.

4.129. The Bank of Mongolia adopts and applies the Basel Committee's Core Principles for effective banking supervision, taking into account the Mongolian national context and international relevance.

4.130. The deposit insurance scheme is based on the Payout Plus system, i.e. the Deposit Insurance Corporation is legally authorized to pay out the amounts of insured deposits up to the coverage limit of MNT 20 million (Article 8.1 of the Law on Deposit Insurance) upon a trigger event that occurs when the Bank of Mongolia decides to liquidate a bank within the stipulations provided in the Banking Law (Article 6.1 of the Law on Deposit Insurance).

4.131. According to a June 2020 IMF country report⁶⁵, Mongolia's large banking system (assets of 100% of GDP) poses a perennial vulnerability to the debt outlook. If the Government were called on to backstop a systemic bank, fiscal costs could be considerable. Weak capital buffers in the banking system provide little cushion to absorb the impact of the pandemic crisis. In this context, risks arising from the temporary regulatory loosening of the sector should be carefully managed.

4.132. To tackle these challenges, the Bank of Mongolia submitted a draft Banking Sector Reform Program, 2020-23, for parliamentary discussion.⁶⁶ This medium-term programme includes 5 core objectives and 49 reform actions, including recapitalization. The draft programme will address: (i) bank ownership concentration and governance; (ii) modernization of bank supervision; (iii) the IMF recommendations (iv) improvement of the AML-CTF system; and (v) modern banking operations and FinTech.

⁶⁴ For more details on these commitments, see Ministry of Foreign Affairs of Japan, *Annex 6 Referred to in Chapter 7, Schedules of Specific Commitments and List of Most-Favored-Nation Treatment Exceptions*, pp. 674-676. Viewed at: <https://www.mofa.go.jp/files/000067722.pdf>.

⁶⁵ IMF, *Staff Country Report No. 20/205*. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2020/06/16/Mongolia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-49520>.

⁶⁶ ADB, *Proposed Countercyclical Support Facility Loan Mongolia: COVID-19 Rapid Response Program*, May 2020. Viewed at <https://www.adb.org/sites/default/files/project-documents/54174/54174-001-rrp-en.pdf>.

4.4.1.3 Insurance

4.133. Box 4.4 describes the main indicators of the insurance sector.

Box 4.4 Main economic indicators of the insurance sector

Number of insurance companies:

2014: 17

2019: 18 (1 life; 15 non-life; and 2 reinsurance)

Total balance sheet of the sector (2019): MNT 365.8 billion

Share of the types of insurance companies (2019):

Life: 2.5%; non-life: 76.9%; reinsurance: 20.6%

Insurance premiums to GDP ratio (2019): 0.54%

Total premiums (2019): MNT 198.7 billion (life: MNT 1.3 billion; non-life: MNT 195.3 billion; reinsurance: MNT 2.1 billion)

Market share and concentration (cumulative market share of the top five companies) (2019):

Life:

National life: 100%

Non-life:

Top five: 63.9%

Mongol Daatgal LLC: 16.7%

Mandal Daatgal LLC: 14.8%

Bodi Daatgal LLC: 14.3%

Mig Daatgal LLC: 13.7%

Tenger Daatgal LLC: 9.8%

Reinsurance:

National Reinsurance JSC: 98.6%

Khubilai Reinsurance LLC: 1.4%

Source: Information provided by the authorities.

4.134. The Ministry of Finance is responsible for the overall policy and legislation of the sector, the FRC is in charge of the supervision, and the Office of Fair Competition and Consumer Protection deals with the competition issues.

4.135. During the review period, Commission Resolution No. 02, 2019, revised the Insurance Rules, which included 17 regulations related to insurance activities (licensing, market conduct, prudential regulations, supervision, bankruptcy, and requirements for insurance auditors and actuaries). Commission Resolution No. 114, 2020, approved the Insurance Market Code of Conduct, and the Code of Ethics of the Insurance Market, which regulates conduct related to the ethics of insurance professionals and participants in the insurance market, the supervision of the implementation thereof, and the imposition of penalties.

4.136. The criteria for assessing applications for an insurance licence are:

- the applicant must demonstrate that it is fully capable of complying with the insurance legislation and with a set of insurance rules after the issuance of the special licence;
- the applicant must demonstrate sufficient management, organizational, and financial capacities; and
- the issuance of a licence must not have a negative effect on the public or insured interests.

4.137. A foreign company or foreign citizen willing to become a shareholder of a Mongolian insurance company is subject to the same requirements as a Mongolian company or citizen. That is, the share capital must be derived from a legitimate source of income, and the shareholder must meet the "fit and proper" requirement. However, if a foreign insurer or an insurance intermediary carries out insurance activities, the following requirements apply, in accordance with Annex 10 of the Set of Insurance Regulations:

- The foreign insurer or insurance intermediary should have a rating established by an internationally recognized rating body.
- An insurance guarantee, in a minimum amount of MNT 1 billion for a foreign insurer and MNT 500 million for a foreign insurance professional participant shall be deposited in the account of any Mongolian bank.
- The applicant should be established as an insurance branch or representative office in its territory of origin, or in countries other than Mongolia, and the branch or representative office should be in operation for at least two years.
- The capital of the foreign insurer applying to open a branch or representative office shall not be less than MNT 10 billion, and the capital of a foreign insurance professional participant shall not be less than MNT 1 billion.
- The applicant should not have been involved in money laundering or terrorism financing. The FRC can impose additional conditions and requirements, depending on the classification, type, and form of the foreign insurer or the foreign insurance professional participant branch or representative office.

4.138. The FRC processes licences within 45 days of application. The licences are valid indefinitely until suspended or revoked, and they cannot be transferred through sale, gift, or collateral to others.

4.139. Mongolia undertook full GATS commitments on insurance, reinsurance, and transportation insurance for the first three modes of delivery (cross-border, consumption, and commercial presence), and replicated these commitments in its FTA with Japan.

4.4.1.4 Securities and stock market services

4.140. Box 4.5 provides the main indicators of securities and stock market services.

Box 4.5 Main indicators for securities and stock market services, 2014-19

Capitalization of the companies listed

2014: MNT 1,442.7 billion (6.5% in GDP)

2019: MNT 2,693.1 billion (7.7% in GDP)

Number of companies listed:

2015: 299

2019: 306

Number of securities companies (and value of assets managed):

2015: 68 (MTN 67.6 billion)

2019: 54 (MTN 96.4 billion)

Corporate bonds transaction value (2019): MNT 0.2 billion

Shares traded value (2019): MNT 133.7 billion

Government bonds traded value (2019): MNT 9.7 billion

Number of securities firms, brokers and dealers, underwriters, investment funds, and joint-stock companies (2019): 379

Number of securities dealers (2019): 21

Number of asset managers (2019): 21

Source: Information provided by the authorities.

4.141. According to the FRC⁶⁷, the Mongolian capital market is underdeveloped and does not play a leading role in long-term financing and corporate bond financing is almost non-existent. The FRC states there is a need to implement policy measures to develop a secondary market, develop the corporate governance of joint-stock companies (JSCs), and introduce securities market settlement systems in line with international standards.

4.142. The FRC developed a list of amendments to current laws and new draft laws called the Main Direction of Improvement in Legislation of Mongolia by 2020, and sent it to the Government and Parliament. The list includes the Law on the Securities Market and the Law on Investment. The draft law on Securities Market expands the scope of securities market regulation, reflects regulations including exchange and over-the-counter market relations, and introduces delivery-versus-payment principles. In this regard, the draft law details regulations related to new clearing members, fund regulation of payment guarantees, transparency and governance of JSCs, and the protection of the interests of small shareholders.

4.143. From a regulatory point of view, the natural person or legal entity applying for a licence for conducting securities dealer activities should comply with the requirements set by the Procedure on Licences for Conducting Regulated Activities in the Securities Market (Annex 1 of the Resolution of the FRC, as at 4 April 2019), namely:

- A company that has been operating a brokerage business for at least one year will be entitled to obtain an additional dealer licence, and have been adequately assessed for its prudential ratio, along with on-site and off-site inspections, for a period of one year.
- The share capital of the legal entity has to be MNT 300.0 million (cash).
- The legal entity must have a specialist to conduct dealer activities. This specialist must be licensed to work in the securities market and must meet the "fit and proper" requirements.
- The natural person or legal entity must have software and be connected to a trading and settlement depository organization.
- The natural person or legal entity must follow dealers' rules and regulations, and have a business plan.
- The natural person must have a reference from a trading settlement organization that he or she has no objections to conducting dealer activities, and has fulfilled his or her duties as a member.

4.144. There are no additional requirements for foreign firms or individuals applying to practice these activities, and no such applications have been made so far.

4.4.2 Legal services

4.145. The market access regime of legal services differs for domestic and foreign providers. Under the Law on the Legal Status of Lawyers, implemented in 2013, one must form a limited liability partnership and be a member of the Bar Association, which requires passing the bar exam, to obtain the title of lawyer and provide legal advice. To represent clients in court, a lawyer must also register with the Supreme Court.

4.146. Foreign lawyers must register with the Ministry of Justice and Internal Affairs, which requires proof of membership in a law society or bar association, and their practice is limited to aspects of foreign law. They may not represent clients in court, although they may represent clients in legal arbitration.

4.147. Mongolia does not have commitments on legal services under the GATS or in its FTA with Japan.

⁶⁷ FRC, *Capital Market in Mongolia*, Viewed at: https://www.unescap.org/sites/default/files/Session%2012_Mongolia.pdf.

4.4.3 Telecommunications

4.148. Table 4.24 compares the latest available key indicators of the telecommunications sector with regional and world averages, and Box 4.6 describes the market structure of the telecommunications sector. The mobile-broadband population coverage is high, with 3G networks launched in 2009 and LTE (4G) in 2016. There is also a relatively high degree of competition in the fixed market, with five operators. However, Mongolia's fixed-line penetration is low, reflecting the popularity of mobile, especially in areas where fixed-line is not available. Fixed-line subscriptions are now largely bundled into triple-play offers. Fixed-broadband choices include DSL, optical fibre, and WiMAX, with optical fibre accounting for the largest share of subscriptions.

Table 4.24 Key indicators of the telecommunications sector, 2017 and (2019)

Key indicators	Mongolia	Asia-Pacific	World
Fixed-line telephone subscriptions per 100 inhabitants	9.5 (11.8)	9.5 (..)	13.0 (..)
Mobile subscriptions per 100 inhabitants	126.4 (134.3)	104.0 (..)	103.6 (..)
Active mobile-broadband subscriptions per 100 inhabitants	80.8 (96.0)	60.3 (..)	61.9 (..)
3G mobile coverage (% of the population)	95.0 (96.0)	91.3 (..)	87.9 (..)
LTE/WiMAX coverage (% of the population)	21.0 (59.0)	86.9 (..)	76.3 (..)
Individuals using the Internet (%)	23.7	44.3	48.6
Households with a computer (%)	32.6 (36.4)	38.9 (..)	47.1 (..)
Households with Internet access (%)	23.0 (32.7)	49.0 (..)	54.7 (..)
International bandwidth per Internet user (Kbit/s)	22.7 (16.07)	61.7 (..)	76.6 (..)
Fixed-broadband subscriptions per 100 inhabitants	9.3 (9.66)	13.0 (..)	13.6 (..)
Fixed-broadband subscriptions, by speed tier, % distribution:			
256 Kbit/s to 2 Mbit/s	27.0 (18.5)	2.4 (..)	4.2 (..)
2 Mbit/s to 10 Mbit/s	72.3 (80.2)	7.6 (..)	13.2 (..)
≥ 10 Mbit/s	0.8 (1.3)	90.0 (..)	82.6 (..)

.. Not available.

Source: International Telecommunication Union (ITU); and information provided by the authorities.

Box 4.6 Market structure of telecommunications**Main actors (name and 2019 market share)****Fixed-line telecommunications services:**

Univision LLC: 58.70%; Skymedia LLC: 17.00%; Telecom Mongolia: 14.46%; Mobinet LLC: 5.03%; G-Mobile: 3.53%; UB Railway: 1.28%

Mobile telephones services:

Mobicom LLC: 38.03%; Unitel LLC: 33.08%; Skytel LLC: 17.43%; G-Mobile LLC: 11.46%

Mobile and Fixed Broadband Internet

Mobile broadband: Mobicom LLC: 45.37%; Unitel LLC: 34.94%; Skytel LLC: 12.62%; G-Mobile LLC: 7.07%

Fixed broadband: Univision LLC: 58.03%; Skymedia LLC: 26.61%; Telecom Mongolia LLC: 5.94%; Mobinet LLC: 3.29%; Kewiko LLC: 2.90%; STX Citinet LLC: 1.36%; UB Railway: 0.50%; others: 1.37%

Foreign ownership in telecommunications companies: Mobicom (KDDI LLC Japan: 98.84%)

State ownership: MTC: 94.7%; NETcom (Information Communication Network Company): 100%

Source: Information provided by the authorities.

4.149. The following types of service are fully liberalized⁶⁸: domestic fixed-line long distance, Internet, leased lines, fixed-line, mobile cellular and mobile broadband, cable modem and cable TV, international gateways, international fixed-line long distance, and digital subscriber line. There is partial competition for the following services: fixed satellite services (FSS), fixed wireless broadband, wireless local loop, mobile satellite services (MSS), very-small aperture terminals (VSAT), and broadcasting satellite services.

4.150. The Communications Regulatory Commission (CRC), which was established in 2002, is the independent regulator of the telecommunications and information and communication technologies (ICT) sectors. Its members and chairperson are nominated by the Prime Minister for a six-year mandate. The CRC is financed by licence fees, spectrum fees, and regulatory fees. Its main tasks are to:

- issue, suspend, or revoke licences;
- define and certify technical terms and requirements of communication network facilities and equipment on customer premises;
- approve general conditions of network interconnection agreements and revenue sharing agreements;
- approve the tariff calculation methodology for communications services, and supervise the service tariff for market dominant suppliers;
- develop communications standards;
- develop and implement a national numbering plan;
- allocate and monitor the exploitation of the radio frequency spectrum; and
- define regulatory fees.

4.151. The CRC regulates most aspects of the telecommunications and digital environment sectors, notably regarding interconnection rates, frequency allocation and assignment, service quality monitoring, numbering, quality-of-service standards setting, spectrum monitoring and enforcement, price regulation, technical-standards setting, type approval, licensing of ICT networks and services,

⁶⁸ "Fully liberalized" means that there are no longer monopolies or restricted competition, and that any operator fulfilling the technical requirements can obtain approval and operate.

enforcement of quality-of-service obligations, broadcasting (sound transmission and TV transmission), and radio frequency assignment (licensing).

4.152. The sector's policy-making body is the Communications and Information Technology Authority (CITA), which develops and implements policies concerning communications, information technologies, spectrum management, postal services and broadcasting, including numbering, market competition, advanced technologies, universal services, and human resources capacity. The CITA also administers cross-sectoral coordination on ICT policy implementation, and monitors and evaluates policy implementation of ICT state-owned organizations.

4.153. Broadcast content is regulated by the CRC, consumer protection by the AFCCP and the CRC, universal service access by the CITA, information technology by the CITA and the CRC, cybersecurity by the CITA, and privacy and data protection by the Human Right Commission. Internet content is the responsibility of the operator, and is not regulated or moderated, except for issues concerning public morals, consumer protection, and national security.

4.154. The Mongolian Telecom Regulation authorizes local loop unbundling. There is currently no legislation or regulation on number portability, but there are plans to introduce such a regulation, following a 2014 telecom law amendment. The fixed interconnection regime is based on a symmetric model, i.e. fixed-line operators pay the same price to connect their customers to a mobile network as the mobile network has to pay them, which is a regulatory way to compensate the potential negative effects of the implementation of the "calling party pays" principle. Interconnection fees have to be cost-oriented. The interconnection provider must submit for approval a reference interconnection offer (RIO) to the CRC, which has the mandate to approve general terms of interconnection agreements between networks, and revenue distribution procedures.

4.155. The frequency licensing process is based on the principle of a "beauty contest" for most of the licences and on tendering for resources, such as FM, broadband, and 4G frequencies. The licensing system is based on classes. The radio waves are the property of the State. As the owner of the spectrum, the State grants rights of exploitation of radio frequency to other legal persons under the conditions set forth in the Law. The CRC has the power to assign radio frequency and issue regulations about it, and to define the technical requirements of radio equipment and normative documents and to monitor their implementation. The frequency bands are divided between "special consumption" and "public consumption", according to their usage. Special consumption corresponds to radio frequencies used by the State for defence, security, disaster protection, and public protection. Public consumption covers radio frequencies assigned to business entities, organizations, and citizens. A licence is a document that allows the owner to use the frequency to operate radio equipment to organize radio communication, and to provide public service.

4.156. A radio frequency certificate grants the right to use a radio frequency and all types of radio equipment for the purposes of private-use radio communications, e.g. radio communication, scientific research, testing, and trial radio service. The frequency certification process is based on the "first come, first served" principle.

4.157. The CRC allows and encourages both infrastructure-based mobile operators (that operate the network) and non-infrastructure-based operators (that lease network capacity) to practice infrastructure sharing. It issued a regulation on mobile infrastructure sharing, based on a regulatory mandate. However, as at 2019, mobile infrastructure sharing was not practiced by operators.

4.158. Universal service obligations cover voice telephony services, fixed-line private residential services, individual mobile cellular broadband, and emergency services. They are the responsibility of the incumbent operator, and they are financed by a universal service fund, with 130 contributors and a budget of MNT 3 billion (about USD 1.2 million), based on a contribution of 3% of the after-tax income of telecommunications service providers. The fund is managed by the CITA.

4.159. Apart from regulations on pricing of interconnection, and significant market power and monopoly issues, there are no pricing regulations on any telecommunications subsector, except for retail mobile voice telephony services and satellite TV services.

4.160. Table 4.25 provides data about and ranking of mobile telephony pricing as determined by the ITU's price-monitoring methodology, while Table 4.26 provides similar information for the fixed-broadband segment.

Table 4.25 Pricing data for mobile telephony, 2019

Type of basket	Rank	% of gross national income per capita	USD (current prices)	USD (PPP)	Monthly voice call allowance (in minutes)	Monthly SMS allowance	Monthly data allowance (GB)	Tax rate included (%)
High-consumption mobile data and voice basket	103	3.7	11.17	30.80	140	70	3.0	10.0
Low-consumption mobile data and voice basket	105	3.0	8.81	24.28	70	20	3.0	10.0
Mobile voice basket	55	0.8	2.25	6.2	Postpaid 427.4 Prepaid 171.4	29.5	Postpaid 1.6 Prepaid 2.8	10.0
Mobile data basket	103	2.2	6.67	18.39	..	..	3.0	10.0

.. Not available.

PPP: Purchasing power parity.

Source: ITU, 2019.

Table 4.26 Pricing data for fixed-broadband telephony, 2019

Rank	% of GNI per capita	USD	USD (PPP)	Speed (Mbit/s)	Cap per month (GB)	Most value for money (USD (PPP)/Mbit/s)	Tax rate included (%)	GNI per capita in 2018 (USD)
68	2.2	6.43	17.72	1	200	17.7	10	3,580

Source: ITU, 2019.

4.161. In February 2017, the Government approved the state policy on the development of ICT, 2017-25, to bring it in line with global trends, enhance e-governance, digitize other sectors, and increase the number of e-government services and their prompt delivery.

4.4.4 Transport

4.4.4.1 Overview

4.162. Because Mongolia is a landlocked country with a large territory, difficult natural conditions, and low and unequal population density, transport infrastructure and transport services are vital for development.

4.163. Table 4.27 describes, for the review period, the share of the modes of transport for freight, in terms of both tonnes and tonne-kilometres, number of passengers, passenger turnover in terms of passenger-kilometres, and revenue.

Table 4.27 Key indicators of the transport sector, 2013-19

Indicator	2013	2014	2015	2016	2017	2018	2019
Carried freight ('000 tonnes)	42,361	44,636	32,197	40,400	53,983	67,802	68,997
of which (%):							
Railway	49.7	47.3	59.5	49.5	42.2	38.0	40.8
Road	50.3	52.7	40.5	50.5	57.8	62.0	59.2
Air	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Freight turnover (million tonne-kilometres)	14,642	17,419	13,844	16,619	19,167	21,969	23,601
of which (%):							
Railway	82.5	71.6	82.8	74.4	70.4	69.7	73.7
Road	17.5	28.3	17.1	25.5	29.5	30.2	26.3
Air	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Passengers carried (million passengers)	307.9	344.2	260.3	264.4	216.1	197.0	173.0
of which (%):							
Railway	1.2	1.0	1.1	1.0	1.2	1.3	1.7
Road	98.5	98.8	98.5	98.6	98.2	98.0	97.4
Air	0.3	0.2	0.4	0.4	0.6	0.7	0.9
Water	0.01	0.01	0.04	0.00	0.01	0.01	0.01
Passenger turnover (million passenger-kilometres)	4,604	5,235	4,931	4,988	5,434	6,598	7,146
of which (%):							
Railway	30.3	22.8	20.2	19.2	17.9	15.1	15.6
Road	41.2	53.3	39.3	39.3	37.6	44.3	40.9
Air	28.5	23.8	40.4	41.5	44.5	40.7	43.5
Water	0.01	0.02	0.02	0.01	0.01	0.004	0.003
Revenue (MNT billion)	1,045.0	1,038.3	987.9	1,191.5	1,422.2	1,754.4	2,003.5
of which (%):							
Railway	40.3	41.2	39.3	36.7	37.3	35.1	35.4
Road	36.0	35.0	34.9	39.2	35.6	39.7	39.7
Air	23.7	23.7	25.7	24.1	27.1	25.2	24.9
Water	0.01	0.05	0.06	0.02	0.02	0.01	0.01

Source: Mongolian Statistical Information Service, *Transportation*. Viewed at: http://www.1212.mn/stat.aspx?LIST_ID=976_L12.

4.164. Regarding freight, the share of air transport was marginal and largely constant during the review period, both in terms of tonnage and of tonne-kilometres (Table 4.27). For land transport, the share of road transport in terms of tonnage, initially equal to that of rail transport, grew to reach a 60% share. In terms of tonne-kilometres, rail remains dominant, although its share fell from more than 80% to around 70%. This high percentage is due to the role railways play in the transport of mineral products, Mongolia's main export.

4.165. The situation is somewhat different regarding passengers. In terms of number of passengers, road remains the predominant mode with a share of over 97% during the review period. In terms of passenger-kilometres, the share of road was around 40% during the review period, while rail declined from 30% to 15%, and air progressed from less than 30% to more than 40%.

4.166. In terms of overall traffic evolution, the situation differs between freight and passengers during the review period, freight traffic grew by 62% in terms of tonnage, and by 61% in tonne-kilometres, largely due to the growth of mineral production and exports. For passengers, the traffic nearly halved in terms of the number of passengers but grew by 55% in terms of passenger-kilometres, an evolution which appears linked to the growing share of air transport, where the number of kilometres per passenger is much higher. Overall, the revenue of carrier nearly doubled during the review period.

4.4.4.2 Air transport

4.167. The domestic aviation market in Mongolia is small and mainly comprises flights run by domestic air carriers linking Ulaanbaatar and other principal towns. There is no ceiling on foreign investment in domestic airlines, which is a rare feature by international standards.

4.168. The fully state-owned MIAT Mongolian Airlines (MIAT) JSC does not operate domestic flights. As illustrated by Table 4.28, the number of both domestic and international passengers and carried by air transport within, from, and into Mongolia has increased since 2015 while the volume of freight oscillated around a declining trend.

Table 4.28 Air transport selected indicators, 2013-19

		2013	2014	2015	2016	2017	2018	2019
Traffic								
Freight	Tonnes	6,505	5,514	4,710	4,852	5,369	5,752	5,762
Luggage		5,825	4,955	4,212	4,409	5,022	5,339	5,408
Commercial freight		680	559	498	443	347	413	354
Passengers	'000	777.94	682.21	955.9	1,023	1,252	1,422.5	1,621.6
International		452.17	442.13	765.9	790.5	927	1,020.9	1,188.2
Domestic		325.78	240.07	189.9	232.6	325.1	401.6	433.4
Flights								
International flights, of which	Number	92,386	93,840	97,116	105,936	118,874	131,801	143,805
Overflights		85,690	87,117	90,686	99,210	110,953	123,296	133,663
Landings/take-offs		6,696	6,723	6,430	6,726	7,921	8,505	10,142
Domestic flights		9,772	6,399	4,556	4,956	5,675	6,394	7,967

Source: Information provided by the authorities.

4.169. There are 17 licensed airports, 10 of which are owned and operated by the Civil Aviation Authority of Mongolia (CAAM). Of the 17 licensed airports, 8 have paved runways and runway lighting systems, including Chinggis Khaan airport, near Ulaanbaatar, which is the only international airport. While domestic traffic fluctuated and grew only modestly during the review period, international traffic has nearly tripled, and Chinggis Khaan airport faces congestion problems due to its one-way take-off and landing runway and the effects of cold and windy winter weather that often delay flights.

4.170. The New Ulaanbatar International Airport (NUBIA), with a two-way take-off and landing runway, is being constructed by the NUBIA Joint Venture, a Japanese consortium formed by Mitsubishi, Narita International Airport (NAA), Japan Airport Terminal Co., and Jalux. This consortium signed a 15-year concession agreement. A clause in the concession agreement indicates that NUBIA has the right to undertake, or contract out to third parties, ground handling services; Mongolian domestic airlines may also undertake these services. In addition, if a third party other than a domestic airline wishes to provide ground handling services, it must obtain consent from NUBIA. The construction is partially financed by Japanese development aid through a Japan International Cooperation Agency loan of JPY 65.7 billion. The NUBIA project is implemented by the Japan-Mongolia joint company. The new airport is scheduled to open in July 2021.

4.171. Airports services are governed by the Civil Aviation Law, 1999. The Law allows for public-private partnerships (PPPs), build-operate-transfer (BOT) schemes, and concessions, as exemplified by the NUBIA project.

4.172. Sixteen operators are licensed for maintenance, repair, and overhaul (MRO) by the CAAM, of which seven are Mongolian-owned enterprises, and nine are foreign: (i) Lufthansa Technik AG; (ii) Aircraft Maintenance & Engineering Corporation (AMECO Beijing); (iii) Rheinland Air Service GmbH; (iv) China Aircraft Maintenance & Engineering Co., Ltd.; (v) Shenyang Avias Aviation Maintenance Engineering Co., Ltd.; (vi) GDAT Ningbo Company Limited; (vii) Genel Havacilik A.S.; (viii) Fokker Services Asia Pte Ltd.; and (ix) JSC Air Company (SCAT).

4.173. The Maintenance Department of MIAT is the only MRO operator certified by the European Agency for Safety in Aviation (EASA); it has provided aircraft maintenance services to 62 foreign airplanes since 2014.

4.174. There are no specific regulations relating to computer reservation services (CRS). Both domestic and foreign-based enterprises, with or without a branch office in Mongolia, may provide CRS. Aerocrs, Amadeus, ARINC, PAXLink, and TravelSky provide CRS to the Mongolian market.

4.175. Selling and marketing services by airlines are governed by the Regulation of Civil Air Transportation, 1998. There are no prohibitions or limitations on sales of tickets by foreign airlines, regardless of channel. Ticket sales require an authorization that is automatically delivered once the Aircraft Operating Certificate has been obtained and the slot granted.

4.176. Mongolia has not undertaken any commitments on the air transport services explicitly covered by the GATS (maintenance and repair of aircraft, selling and marketing of air transport services by the airlines themselves, and CRS), either under the GATS or in its unique FTA with Japan.

4.177. MIAT has a *de facto* monopoly on ground handling services. However, airlines can self-handle if allowed by the relevant Bilateral Air Services Agreement. Domestic air carriers are also allowed to self-handle and have started doing so. Mutual handling and third-party handling are not allowed.

4.178. The main legislation regarding commercial aviation is the Civil Aviation Law, 1999, which states that regulations applying to civil aviation should comply with international conventions and agreements to which Mongolia is a party. The Ministry of Roads and Transport Development (MRTD) is responsible for developing policy on air transport, while the CAAM is the government agency responsible for overseeing and regulating civil aviation, including setting and applying safety standards in compliance with the Chicago Convention, and the licensing and certification of air operators. As noted above, the CAAM is also responsible for providing air traffic services, and airport operation services, including ground handling services.

4.179. In 2013, Parliament approved the State Policy in the Civil Aviation Sector, which was in effect until 2020. This policy recognized the importance of air transport for a large, landlocked country with a low population density, and set a number of objectives, including an improved regulatory environment, a gradual opening of the sector to competition through "open-skies" agreements, and the development of a passenger and air freight hub at the NUBIA to service northern Asia. A new State Policy in the Civil Aviation Sector, 2020-30, is being drafted.

4.180. In March 2018, the MRTD organized a consultative meeting with the aviation sector on the theme "Air Transport Liberalization, Reform of Civil Aviation". The Government indicated its intention to:

- amend the Law on Civil Aviation to support the development of general aviation, provide essential air transport services, improve the capacity of international and local airports, separate the regulation of civil aviation services from CAAM's operation, and create a legal environment for restructuring the CAAM;
- provide policy support to broaden international airline cooperation by adding code-share arrangements to bilateral air service clauses and by increasing the number of flights and their frequency by Mongolian and foreign airlines on international routes, notably to the Republic of Korea, the Russian Federation, and Turkey, and through a gradual liberalization policy;
- reduce state participation in the sector by privatizing up to 49% of the 100% state participation in MIAT;
- encourage domestic private companies by exempting aircrafts and their equipment from import tax; introduce VAT exemption for air transport passengers; and
- develop a general aviation programme to be implemented in 2018-21 via foreign, domestic, and private investment; hiring general aviation pilots; importing light aircraft; and establishing permanent and temporary runways and aerodromes.

4.181. The CAAM has certified 21 air carriers, including 9 foreign carriers.

4.182. Table 4.29 describes the main subsectors of activities, fleet, ownership, and network of all Mongolian-certified air carriers.

Table 4.29 Main indicators for certified Mongolian air transport carriers

Airline	Main sector of activity	Fleet (No. of planes)	Year of establishment	Ownership	Network (as at March 2020 pre-COVID pandemic)
MIAT Mongolian Airlines	Scheduled domestic and international passenger flights	6	1956	100% state owned	International: 9 Domestic: 1 (charter flight)
Aeromongolia	Scheduled domestic and international passenger flights	3	2001	Private, 100% Mongolian (Monnis group)	International: 2 Domestic: 10
Eznis Airways	Scheduled and charter domestic and international passenger flights	1	2018	Private, 100% Mongolian	International: 1 Domestic: 0
Hunnu Air	Scheduled domestic and international passenger flights	4	2011	Private, 100% Mongolian	International: 4 Domestic: 9
A-jet aviation	Charter flights	2 helicopters	2000	Private, 100% Mongolian	Irrelevant
Geosan	Airborne geophysical survey and mapping flights and domestic charter flights	2	1996	Private, 100% Mongolian	Irrelevant
MAK	Charter flights	1 helicopter	2007	Private, 100% Mongolian	Irrelevant
Mongolian Airways Cargo	Air cargo	1	2019	Private 100% Mongolian	International: 1
Veltel Avia Star	Agriculture	1	2014	Private, 100% Mongolian	Irrelevant
Top Extreme Action Mongolia	General aviation	4	2006	Private, 100% Mongolian	Irrelevant
Zaluu Burged	General aviation	1	2016	Private, 100% Mongolian	Irrelevant

Source: Information provided by the authorities.

4.183. There is no specific policy for all-cargo flights.

4.184. The charter policy is based on reciprocity. Any airline having more than two take-offs or landings within Mongolia in any 28-consecutive-day period, or more than eight take-offs or landings in any 365-consecutive-day period shall be certified.

4.185. Since 2004, Mongolia has been a member of the ICAO International Air Services Transit Agreement.

4.186. Table 4.30 describes the bilateral air services agreements, according to the WTO Quasar methodology.⁶⁹

⁶⁹ For details of this methodology, see WTO document S/C/W/270/Add.1, 30 November 2006.

Table 4.30 Air transport agreements

Partner	Date	5th	7th	Cabotage	Coop	Designation ^a	Withholding ^b	Pricing ^c	Capacity ^d	Stat	ALI ^e
China	08/04/1989	Y	N	N	Y	M	SOEC	DA	PD	Y	10
Poland	26/05/1989	N	N	N	N	S	SOEC	DA	PD		0
Korea, Democratic People's Republic	03/08/1989	N	N	N	N	S	SOEC	DA	PD	Y	0
Romania	10/07/1990	N	N	N	N	S	SOEC	DA	PD	Y	0
Korea, Republic of	23/10/1991	N	N	N	Y	M	SOEC	DA	PD	Y	4
Kazakhstan	27/10/1992	N	N	N	N	S	SOEC	DA		N	0
Singapore	18/05/1993	Y	N	N	N	M	SOEC	DD	PD	Y	16
Ukraine	23/07/1993	N	N	N	N	M	SOEC	DA	B1	Y	8
Thailand	25/02/1994	N	N	N	Y	S	SOEC	DA	PD	Y	0
Hungary	13/09/1994	N	N	N	N	S	SOEC	DA	N/A		0
Turkey	09/02/1995	Y	N	N	N	S	SOEC	DA	PD	Y	6
Netherlands	09/03/1995	N	N	N	N	M	SOEC	FP		N	12
Denmark	19/06/1997	N	N	N	N	M	SOEC, PPOB	COO	FD	Y	20
Norway	19/06/1997	N	N	N	N	M	PPoB	COO	FD	Y	23
Sweden	19/06/1997	N	N	N	N	M	PPoB	COO	PD	Y	15
Malaysia	09/09/1997	N	N	N	N	S	SOEC	FP	B1	Y	12
Germany	29/05/1998	N	N	N	N	M	COI	COO	PD	Y	11
India	01/12/1998	N	N	N	N	M	SOEC	DA	PD	Y	4
Japan	10/07/1999	N	N	N	N	M	SOEC	DA	PD	Y	4
Kyrgyz Republic	04/12/1999	Y	N	N	N	M	SOEC	DA	PD	Y	10
Finland	10/02/2000	N	N	N	N	M	PPoB	DA	PD	Y	12
United Kingdom	01/03/2000	N	N	N	N	M	SOEC	DD	B1	Y	14
Switzerland	03/03/2000	N	N	N	Y	M	SOEC	FP	B1	Y	16
Hong Kong, China	24/05/2000	N	N	N	N	M	PPoB	DA	PD	Y	12
Viet Nam	28/06/2000	N	N	N	Y	S	SOEC	DA	PD	Y	10
Philippines	04/09/2001	N	N	N	N	M	SOEC	DA	B1	Y	8
Egypt	27/04/2004	N	N	N	Y	M	SOEC	DA	B1	Y	8
Macao, China	27/06/2006	N	N	N	N	M	PPoB	DA	B1	Y	16
France	22/02/2007	N	N	N	N	M	SOEC	DA	B1	Y	8
Iceland	28/03/2007	Y	N	N	N	M	PPoB	DA	B1	Y	22
Austria	02/10/2007	N	N	N	Y	M	SOEC	COO	B1	Y	11
United Arab Emirates	25/11/2007	N	N	N	Y	M	SOEC	FP	FD	Y	20
Belarus	04/09/2013	N	N	N	N	S	SOEC	DA	B1	Y	4
Cambodia	01/03/2016	N	N	N	N	M	SOEC	COO	PD	Y	7
Czech Republic	25/05/2017	N	N	N	N	M	SOEC	FP	PD	Y	12
Luxembourg	01/06/2017	N	N	N	Y	M	SOEC		FD	Y	12
Malta	14/07/2017	N	N	N	N	M	SOEC	FP	FD	N	20
Myanmar	27/09/2017	N	N	N	Y	M	SOEC	DA	PD	Y	4

a S = single; M = multiple.

b SOEC = substantial ownership and effective control; PPoB = principal place of business; COI = community of interest.

c DA = double approval; DD = Dual Disapproval; COO = country of origin; FP = free pricing.

d PD = pre-determination; B1 = Bermuda 1, i.e. *post facto* determination; FD = free determination.

e ALI = Air Liberalization Index (0 = no liberalization; 50 = full liberalization).

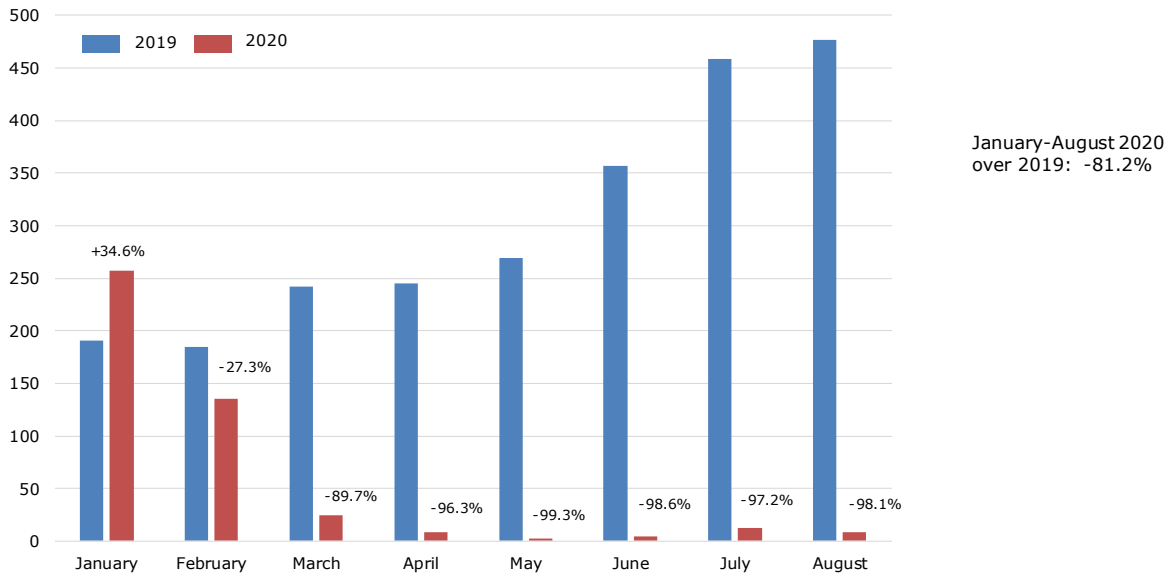
Source: WTO Secretariat; and information provided by the authorities.

4.187. Mongolian air policy is based on the principle of gradual liberalization. Table 4.30 lists some quasi-open skies agreements (with Denmark, Iceland, Malta, Norway, and the United Arab Emirates, and to a lesser extent Macau, China; and Switzerland), but they are not recent, and they cover destinations not served bilaterally. Code-sharing with the national airline, MIAT, is part of the state

air policy. It is a way to reconcile two apparently contradictory effects of liberalization: the multiplication of routes and frequencies; and additional competition for MIAT.

4.188. The COVID-19 pandemic continues to have a devastating impact on the aviation sector. Between January 2020 and August 2020, the number of flights was down by 81.2% compared with the same period in 2019 (Chart 4.9), which compares month by month the number of flights (domestic and international flights) in 2019 and 2020. There are currently no bankrupt airlines. The Government decided to exempt domestic airlines from air navigation fees and is considering the allocation of concessional loans to the airlines.

Chart 4.9 Passenger flights, January to August 2019 and 2020



Source: ICAO. Viewed at: <https://data.icao.int/coVID-19/operational.htm>.

4.4.4.3 Rail transport

4.189. Mongolia has a railway network totalling 1,962.4 km. The main line (Trans-Mongolian Railway) goes from Sukhbaatarto Zamyn-Uud and connects the northern (Russian Federation) and southern (China) borders of Mongolia (1,110 km). The second line ("eastern line"), from Ereentsav to Choibalsan, connects the Dornod aimag to the Russian Federation (238 km). There are also several branch lines of the main line, including four connecting to the major industrial areas of Erdenet (copper, 164 km), Baganuur (coal, 95 km), Bor-Uundur (fluorspar, 60 km), and Zuunbayan (previously a major military base, 50 km). The Trans-Mongolian Railway has several spurs to urban centres and in the east, and a spur from the Trans-Siberian Railway that terminates in Choibalsan. Mongolian railways use Russian gauge (1,520 mm), requiring a change to standard gauge (1,435 mm) at the border with China.

4.190. Mongolia relies on railways to carry freight and, in particular, to export mineral resources. As illustrated in Table 4.31, domestic freight traffic is roughly equivalent to the size of international traffic; within international traffic, about half of freight originates and terminates in Mongolia and half is transit trade. A significant, though declining, portion of freight is transit traffic between the Russian Federation and China, about 90% of which is crude petroleum and timber carried to China for processing. Mining products accounted for about 83% of freight traffic in 2019 (Table 4.32).

Table 4.31 Key indicators of the railway transport in Mongolia, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Freight turnover (million tonne-kilometres)	12,076.5	12,473.7	11,462.6	12,371.0	13,493.2	15,315.3	17,384.1
of which (%)							
Domestic	30.2	28.3	25.0	18.5	18.3	18.7	18.1
Exports	44.0	44.8	45.8	52.7	47.6	47.7	48.3
Imports	9.6	8.5	9.0	7.5	8.7	9.2	8.7
Transit	16.1	18.4	20.3	21.2	25.4	24.4	24.9
Carried passengers ('000 persons)	3,759.7	3,305.8	2,794.7	2,645.5	2,630.3	2,572.5	2,948.0
of which (%)							
International	4.5	4.7	5.1	4.3	4.0	4.6	3.8
Domestic	95.5	95.3	94.9	95.7	96.0	95.4	96.2
Passenger turnover (million passenger-kilometres)	1,394.4	1,194.5	996.7	955.5	973.2	993.7	1,111.5
Revenue (MNT million)	421,418.0	427,863.0	387,938.1	436,845.2	530,016.0	616,025.0	708,624.2

Source: Mongolian Statistical Information Service, *Transportation*. Viewed at: http://www.1212.mn/stat.aspx?LIST_ID=976_L12.

Table 4.32 Composition of the railway freight traffic, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Domestic and overseas freight ('000 tonnes)	14,869.0	15,632.9	17,371.3	19,599.2	21,309.6
of which (%)							
Mining products	80.0	88.6	86.6	84.7	83.2
Coal	43.5	42.8	47.1	45.0	40.1
Oil and petroleum products	1.0	1.5	3.4	3.3	2.6
Fluor and spar concentrates	1.9	1.6	1.8	2.8	3.2
Copper and molybdenum concentrates	4.1	4.3	3.8	3.4	3.1
Iron ore	28.3	36.7	29.5	29.5	33.4
Zinc concentrates	0.6	0.8	0.7	0.6	0.6
Others	0.7	0.9	0.2	0.1	0.1
Construction materials	3.2	6.6	6.8	8.3	9.9
Wood and wood materials	0.6	0.5	0.5	0.6	0.6
Food consumer products	0.9	0.9	1.1	1.0	0.9
Perishable products	0.3	0.1	0.1	0.1	0.1
Agricultural products	0.9	0.5	1.5	1.3	1.5
Black iron (scrap, rail)	1.0	0.5	0.7	0.9	1.2
Factory machines, equipment and tools	0.1	0.1	0.1	0.2	0.1
Other	2.9	2.3	2.6	2.9	2.5

.. Not available.

Source: Mongolian Statistical Information Service, *Transportation*. Viewed at: http://www.1212.mn/stat.aspx?LIST_ID=976_L12.

4.191. Most of these indicators show a declining or stable trend for rail traffic, except for international exit freight (exports), which increased due to exports of minerals.

4.192. The MRTD is responsible for developing policy and legislation regarding railways. The Mongolian Railway Authority is the railways regulator. It has the authority to issue licences for the construction of new railways. The Railway Traffic Control Center (RTCC) is a state-owned entity governed by the MRTD. It was established in 2012 with the aim of coordinating rail traffic between public and private rail operators. However, due to lack of technical capacity, the RTCC has not been able to manage the public and private railway operators' traffic.

4.193. Three railway operators exist in Mongolia: UBTZ Mongolian-Russian joint-stock venture, MTZ State Shareholding Company, and Bold Temur Eruu Gol (BTEG) (a privately owned company).

4.194. The main carrier, UBTZ, which operates the Trans-Mongolian Railway, is 50% owned by RZD of the Russian Federation, 25% by the state-owned Erdenet MGL mining company, and 25% by the Mongolian Railway State Owned Shareholding Company (MTZ). The 50/50 split of ownership between the Russian Federation and the Mongolian authorities dates back from the construction of the Trans-Mongolian Railway, from 1949 to 1956.

4.195. Under Government Resolution No. 82 and the 189th decree of the SPC, March 2008, the UBTZ is the sole operator of the railway. The UBTZ is both the infrastructure manager and the only transporter (carrier). It employs 14,046 people and owns 110 locomotives and about 3,000 wagons.

4.196. The second operator, the 100% state-owned MTZ, was established in 2008 to develop new railways in the south and east of Mongolia, and reports directly to the MRTD. Currently, it owns the 33.4-km Tumurtei railway line, employs around 300 people, and owns a total of 9 locomotives and over 300 freight wagons. MTZ is an integrated operator that manages its own infrastructure.

4.197. One private iron-ore mining company, the BTEG, built, owns, and operates an 85-km railway freight line serving its main mine. BTEG wagons are hauled on the UBTZ network by the UBTZ.

4.198. The Law on Railway Transport, 2007, stipulates that railway infrastructure deemed to have a specially important role for the nation's economy and society can be either fully state-owned or dominantly state-controlled, or transferred to state holding after a defined time. Such a determination is made by the Government. Other railways can be built and owned by either public or private entities.

4.199. The State Policy on Railway Transportation is defined in Parliamentary Resolution No. 32 of 24 June 2010. It sets out a project for railway construction of 1,100 km in the first phase, 900 km in the second, and 3,600 km in the third. In June 2018, Parliamentary Resolution No. 73 "Paths to develop the coal mining on intensifying activities in Tavantolgoi" instructed the Government to intensify activities on the railway project between the Tavantolgoi coal deposit and Gashuunsukhait. Following the Resolution, the Government sped up the Tavantolgoi-Gashuunsukhait and Tavantolgoi-Zuubayan projects.

4.200. The Tavantolgoi-Zuunbayan railway project is managed by MTZ SSC and constructed with local resources. According to the construction plan, the Tavantolgoi-Zuunbayan project will be completed in 2021. Construction from Tavantolgoi to the Gashuunsukhait border terminal by the Tavantolgoi railway company (established in 2018, with a 66%/34% share between Erdenes Tavantolgoi mining company and MTZ SSC, respectively) stopped in 2015, but has now resumed. The Tavantolgoi-Gashuunsukhait project is expected to be completed in 2022. The railway operators that will work on the two new lines have not been determined.

4.4.4.4 Road transport

4.201. Because Mongolia has a large territory, difficult climatic conditions, and a low-density population, the road network is relatively underdeveloped. As illustrated by Table 4.33, a large effort to construct new paved roads took place during the review period (from 5,838 km in 2013 to 9,780 km in 2019, i.e. +67%). While passenger traffic measured in million passenger-kilometres grew approximatively apace (+54%), road freight traffic measured in million tonne-kilometres grew by 242%, and the number of vehicles has tripled.

Table 4.33 Road transport selected indicators, 2013-19

		2013	2014	2015	2016	2017	2018	2019
Paved roads	km	5,838	6,461	7,125	7,456	8,431	9,023	9,780.6
Gravel roads	km	1,864	1,782	1,715	1,696	1,308	1,207	1,207.9
Tracks	km	1,172	1,184	971	972	614	604	604.9
Total	km	8,875	9,428	9,812	10,126	10,355	10,835	11,593.40
Freight carried	'000 tonnes	21,321	23,514	13,043	20,406	31,212	42,033	40,848.75
	Million tonne-kilometres	2,555	4,936	2,374	4,236	5,661	6,640	6,203.78
Passengers carried	Million	303	340	256	260	212	193	168.44
	Million passenger-kilometres	1,897	2,793	1,940	1,959	2,040	2,919	2,925.09

Source: Information provided by the authorities.

4.202. A large portion of vehicles are imported second-hand, principally from Japan, despite the fact that these vehicles are right-hand-drive while traffic in Mongolia drives on the right. The import of second-hand vehicles contributes to the large portion (nearly half) of cars and trucks over 11 years old.

4.203. The MRTD is responsible for developing policy and preparing legislation on roads and road-based transport. Government policy is set out in a number of documents, including the National Development Strategy, 2007-21; the National Transport Strategy for Mongolia; the Transit Mongolia programme; the Mongolian Road Master Plan, 2008-20; and the 15-year investment programmes developed by the MRTD.

4.204. Since the early 2000s, the Government's roads policy has focused on the construction of five north-south highways and one east-west highway, including the Mongolian sections of the Asian Highway Network and the Central Asia Regional Economic Cooperation (CAREC) corridors. Paved access roads from provincial urban centres to the main road network are also being constructed.

4.205. Licences for passenger and freight transport are granted by the MRTD on the basis of full national treatment.

4.206. For freight transport, the criteria of delivery are based only on technical requirements. No financial capacity requirements exist for international freight. There are no specific limits on market share in road transport, and the Competition Law does not include exceptions for the road transport subsector. There are no regulations on pricing for freight, but there is a non-compulsory administrative guidance on how to determine the price for freight.

4.207. For passenger transport licences, the transport company and the Ministry have to agree on the transport route, schedule, and type of vehicles to be included in the licence. Issues relating to passenger transport in Ulaanbaatar, including pricing, are regulated by the city's transport department. Apart from four public-transport companies operating in and around Ulaanbaatar, all road transport enterprises are private sector entities that receive compensation from public authorities for social tariffs. Mongolia is implementing an e-payment system for public transportation services through a PPP. Uber-type services are being developed. Taxi service orders are received and serviced through call centres. Taxi call centres can be operated on a standalone basis or by a carrier. The ticket prices for intercity public transportation are determined by the National Road Transport Service Center, which is part of the MRTD.

4.208. International licences for both passenger and freight transport are subject to the terms of the transport agreement between Mongolia and the partner country. Mongolia has a network of 11 bilateral road transport agreements with Belarus, China, Hungary, Kazakhstan, the Democratic People's Republic of Korea, Kyrgyz Republic, Latvia, Lithuania, the Russian Federation, Turkey, and Ukraine. All of these Agreements regulate both freight and passenger transport, and are based on 50/50 key of repartition. Mongolia is a member of the Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), the Convention on the Contract for the International Carriage of Goods by Road, the Convention on Road Traffic, and the Convention on Road Signs and Signals.

4.209. Mongolia has not undertaken any commitments on road transport under the GATS or in its unique FTA with Japan.

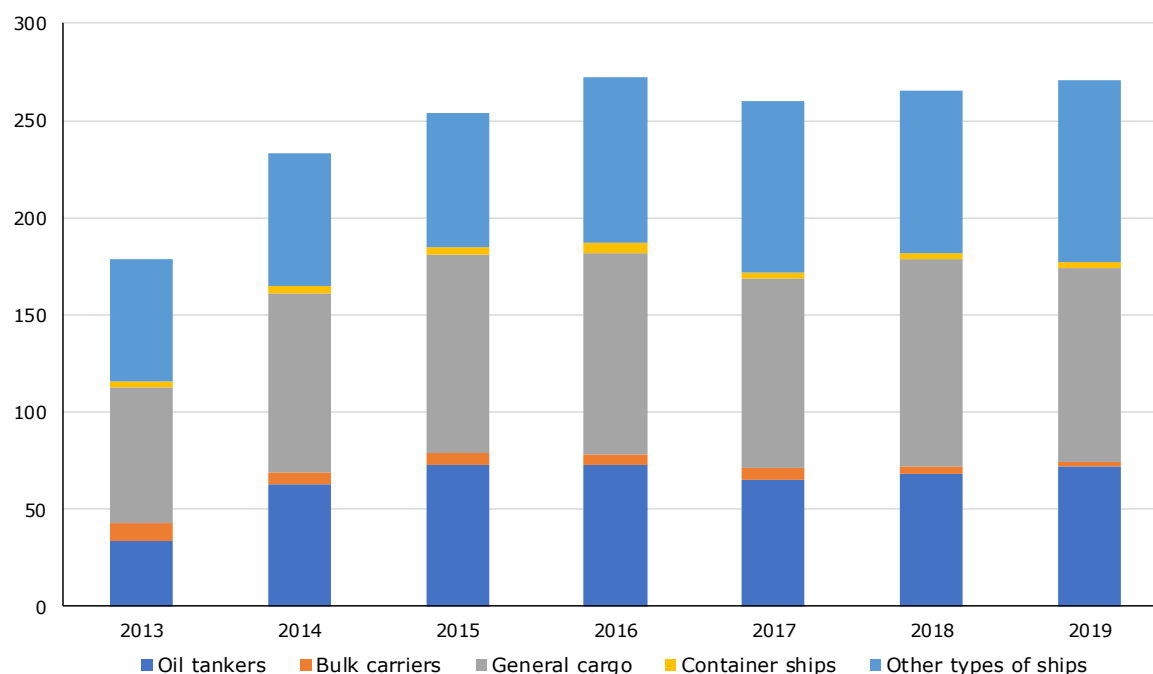
4.4.4.5 Maritime transport

4.210. Although Mongolia is a landlocked country, it instituted an open shipping registry, through its Maritime Law, 1999, with no nationality requirements in terms of ownership and crew, including officers. The Law was amended once, in 2007, in order to establish the Mongolian Maritime Administration (MMA), improve and monitor ship registration, and approve the regulation of ship registration procedures. A new amendment was discussed at a Government meeting at the end of 2019, and will soon be discussed by Parliament.

4.211. In 2018, the fleet registered under the Mongolian flag represented 0.03% of the world fleet, and was essentially composed of oil tankers and general cargo ships (Chart 4.10).

Chart 4.10 Fleet by type of ship, 2013-19

(Number of seagoing merchant vessels of 100GT and above)



Source: UNCTADstat Data Center. Viewed at: <https://unctadstat.unctad.org/CountryProfile/MaritimeProfile/en-GB/496/index.html>.

4.212. While the number of ships registered remained largely stable during most of the period, tonnage has declined (Table 4.34). Compared to 2015, when where the highest level was registered, tonnage was one third of that level in 2018 and 2019, due to the exit of several large-capacity oil tankers. Certain interests outside Mongolia hold beneficial ownership in this tonnage: Singapore, 31.2%; Malaysia, 14.61%; Panama, 6.59%; and Hong Kong, China, 6.3%.

Table 4.34 Carrying capacity by type of ship, 2013-19

('000 of dead weight tonnes)

	2013	2014	2015	2016	2017	2018	2019	2020 (1 st half)
Total fleet^a	684	964	2,232	2,211	1,280	665	733	608.6
Oil tankers	80	529	1,746	1,778	861	273	337	
Bulk carriers	288	160	175	128	120	78	53	
General cargo	217	207	230	208	182	211	196	
Container ships	16	23	23	36	27	27	29	
Other types of ships	83	45	58	61	89	76	118	

a Propelled seagoing merchant vessels of 100GT and above, on 1 January.

Source: UNCTAD stat, *Maritime Profile: Mongolia*, viewed at: <https://unctadstat.unctad.org/CountryProfile/MaritimeProfile/en-GB/496/MaritimeProfile496.pdf>.

4.213. The register is managed by the Mongolian Ship Registry Company LLC, which is owned by Mongolian (70%) and Singaporean interests (30%).

4.214. Mongolia has not undertaken any maritime transport commitments under the GATS. However, in its FTA with Japan, it has fully committed modes 1, 2, and 3 for passenger and freight transportation, rental of vessels with crew, repair of vessels, pushing and towing services, and supporting services for maritime transport.

4.4.5 Tourism

4.215. Mongolia's unique natural landscapes, culture, and prevalent nomadic lifestyle are strong assets of the tourism sector, making it an attractive destination for outdoor and adventure sports, including trekking, horse and camel riding, hunting, and fishing. The sector could be an engine for inclusive economic growth and poverty reduction, if developed in accordance with sustainable development principles and guided by national policy objectives.

4.216. The tourism sector is greatly constrained by insufficient air, road, and rail transport infrastructure. Deteriorating road conditions make it difficult to access remote locations, while the limited number of airports and flights restricts international connectivity, preventing the further development of tourism. The sector suffers from the lack of unified marketing strategy, which translates into less connectivity with, and visibility in, international markets. The lack of enforcement of sustainability laws has started to threaten the environmental ecosystem. Tourism is a highly seasonal sector, and is therefore not attractive as a career option, resulting in a cycle of low expertise, tourist inflow, and employability. The Government took steps to overcome these obstacles, such as the Nomadic by Nature campaign by the Ministry of Environment and Tourism and the Government's Action Program, 2016-20, to increase the competitiveness of the sector.

4.217. In spite of these structural obstacles, the sector grew notably during the review period. Table 4.35 shows the main indicators of the tourism services sector (prior to the COVID-19 pandemic, which has dramatically affected the tourism sector, and whose impact is described separately). The number of tourists globally grew during the review period, and their expenditures more than doubled between 2014 and 2018. Almost all inbound tourists came from Asia-Pacific and Europe, and leisure tourists (as opposed to those travelling for personal or business purposes) represented about half of this contingent and about half of the expenditures.

Table 4.35 Main indicators of tourism services, 2014-19

Basic data and indicators	Units	2014	2015	2016	2017	2018	2019
Inbound tourism							
Arrivals							
Total	('000)	393	386	404	471	529	577
Overnight visitors (tourists)	('000)						
Same-day visitors (excursionists)	('000)	..	..	..	..	..	..
of which, cruise passengers	('000)	..	..	..	..	..	..

Basic data and indicators	Units	2014	2015	2016	2017	2018	2019
Arrivals, by region							
Total	('000)	393	386	404	471	529	577
Africa	('000)	0.8	0.8	0.7	0.9	1.0	0.98
Americas	('000)	18	19	21	23	24	25
East Asia and the Pacific	('000)	238	229	229	266	296	323
Europe	('000)	134	135	151	177	204	220
Middle East	('000)	0.7	0.8	0.9	1.0	1.3	0.7
South Asia	('000)	2	2	3	3	4	5
Other not classified	('000)	..	..	..	..	..	..
of which, nationals residing abroad	('000)	..	..	..	..	..	..
Arrivals, by main purpose							
Total	('000)	393	386	404	471	529	577
Personal	('000)	261	292	325	415	475	..
Holidays, leisure, and recreation	('000)	123	121	150	191	222	..
Other personal purposes	('000)	138	171	174	224	253	..
Business and professional	('000)	132	95	79	54	54	..
Expenditure							
Total	USD million	257	279	379	462	526	607
Travel	USD million	215	246	316	396	461	..
Passenger transport	USD million	42	33	63	66	65	..
Expenditure, by main purpose of trip							
Total	USD million	215	246	316	396	461	..
Personal	USD million	209	240	290	360	417	..
Business and professional	USD million	6	6	26	36	44	..
Tourism industries							
Number of establishments							
Total	Units	..	..	..	..	..	..
Accommodation for visitors	Units	..	..	..	..	..	..
of which, hotels and similar establishments	Units	318	324	358	328	374	620
Food- and beverage-serving activities	Units	..	762	829	743	876	..
Passenger transportation	Units	..	..	..	..	..	..
Travel agencies and other reservation services activities	Units	..	..	..	..	..	318
Other tourism industries	Units	..	..	..	..	..	..
Accommodation for visitors in hotels and similar establishments							
Non-monetary data							
Number of establishments	Units	318	324	358	328	374	620
Number of rooms	Units	6,227	6,831	7,250	6,726	8,215	..

Basic data and indicators	Units	2014	2015	2016	2017	2018	2019
Employment							
Number of employees, by tourism industry							
Total	('000)	12.3	13.7	13.9	13.7	16.2	..
Accommodation services for visitors (hotels and similar establishments)	('000)	4.6	4.9	4.8	4.5	5.3	..
Other accommodation services	('000)	..	..	..	..	..	..
Food- and beverage-serving activities	('000)	7.7	8.8	9.2	9.2	11.0	..
Passenger transportation	('000)	..	..	..	..	..	..
Travel agencies and other reservation services activities	('000)	..	..	..	..	..	..
Other tourism industries	('000)	..	..	..	..	..	..

.. Not available.

Source: UN World Tourism Organization; the MET; and information provided by the authorities.

4.218. The number of hotels and food- and beverage-serving establishments grew consistently during the review period, as did the number of beds available. The data on employment are limited to hotels and food- and beverage-serving establishments. Employment grew from 12,000 persons in 2014 to 16,200 in 2018, with food- and beverage-serving establishments representing two thirds of the total.

4.219. Figures computed by the World Travel & Tourism Council on the direct and indirect weight of the tourism sector are very important, because they evaluate the total contribution of travel and tourism to the economy.⁷⁰ According to the data, travel and tourism accounted for 7.2% of GDP and 7.65% of employment in 2019 (with 88,700 direct and indirect jobs), and value-added in the travel and tourism sector grew by 11.9% in 2019, when the GDP growth of the economy was 5.6%. In the same year, international visitor spending represented 6.8% of total exports (three quarters of which was leisure spending, and the remainder was business spending).

4.220. The main regulatory authority of the tourism sector is the Ministry of Environment and Tourism. Alongside the Ministry, the Tourism Council, a consultative body under the Prime Minister, gives advice, draws conclusions, and delivers opinions to the Prime Minister regarding the elaboration and implementation of state-integrated tourism policies. The Council comprises a chairperson; one member proposed separately by the state central administrative departments in charge of finance, the budget, the infrastructure, and the environmental matters; and three tourism organization members proposed by a non-governmental tourism organization. The chairperson and members are appointed by the Prime Minister. Aimag governors may, taking into consideration the demand for tourism development, designate a unit or an official to be responsible for local tourism matters.

4.221. The MET is drafting a new law relating to tourism, providing for a fund to help: (i) finance expenses to develop infrastructure; (ii) promote Mongolia as a destination, both domestically and internationally; (iii) eliminate possible negative tourism impacts on the environment; (iv) restore cultural properties; and (v) protect and cultivate historical, cultural, and natural heritage. The tourism fund will be a component of the state central budget. It will be administered by the Ministry; the budgetary allotment is not yet known.

4.222. The main sectoral legislation is the Tourism Law, which was passed by Parliament in 2000. The Law defines an open market access regime that encourages investment, notably foreign investment, in the sector. The latest amendments abolished licences for tourism businesses, and exempted from VAT services provided by tour operators for expatriate visitors. Article 11.1 of the Law foresees the possibility of tax exemptions for legal entities in order to boost foreign investment in the sector. In addition, the Enterprises Income Tax Law stipulates that, in the free zones, entities that invest more than USD 300,000 to build hotels and tourist resorts, or to develop the export production industry, may benefit from a tax exemption of up to 50% of the investment.

⁷⁰ World Travel & Tourism Council. *Economic Impact Reports*. Viewed at: <https://wtcc.org/Research/Economic-Impact>.

4.223. The liberal regime is fully bound multilaterally, as the Government undertook full commitments in all tourism sectors (hotels and restaurants, travel agencies and tour operators, and tourist guides), and it echoed this liberalization in its EPA with Japan.⁷¹

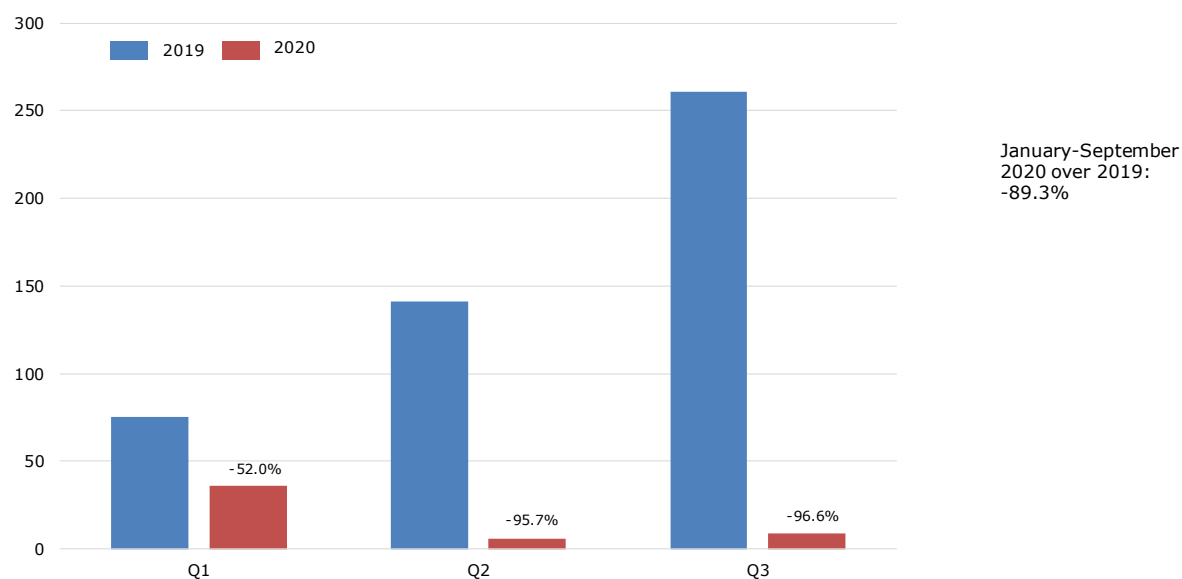
4.224. The new State Policy on Tourism was approved by the Government in August 2019. Its objectives are to improve the competitiveness of Mongolian tourism products, create jobs through improving tourism services and products, enhance the livelihoods of citizens, and maximize tourism's benefits to the economy and society. The Ministry's annual budget includes an allotment for implementing the Policy.

4.225. One such Policy instrument is the Green Loan initiative, which was developed in 2019 in association with commercial banks to help the accommodation industry achieve environmentally friendly solutions for heating and for used-water disposal, and to increase the accommodation capacity. The annual interest of a Green Loan is 8%, after state subsidies. In 2020, the Ministry allocated MNT 500 million for Green Loan subsidies.

4.226. Another Policy instrument is the nationwide capacity-building training programme for the tourism and hospitality service industry, which was delayed due to the COVID-19 pandemic and finally took place from 15 September through 10 October 2020. The budget for this nationwide training is MNT 550 million.

4.227. Chart 4.11 shows the decline of tourist arrivals since the beginning of the COVID-19 pandemic. It has had a devastating effect on the tourism sector, reducing activity to virtually zero. From January to September 2020, total arrivals declined by 89.3%, and tourism receipts fell by 58.2% for the first quarter of 2020, and by 98.1% for the second quarter (latest available).⁷²

Chart 4.11 International tourism arrivals ('000), January to September, 2019 and 2020



Source: UNWTO. Viewed at: <https://www.unwto.org/international-tourism-and-covid-19>.

4.228. To tackle the impact of the COVID-19 pandemic, the Government implemented three measures. First, from 1 April 2020 to 1 October 2020, business entities, including those in the tourism sector, were exempted from social insurance contributions, income tax was not be levied on

⁷¹ For a list of the complete commitments, see Ministry of Foreign Affairs of Japan, *Annex 6 referred to in Chapter 7, Schedules of Specific Commitments and List of Most-Favoured-Nation Treatment Exemptions, Part 1, Schedules of Specific Commitments in relation to Article 7.7, 1A: Schedule of Japan*, p. 649. Viewed at: <https://www.mofa.go.jp/files/000067722.pdf>.

⁷² UNWTO, *International Tourism and COVID-19*. Viewed at: <https://www.unwto.org/international-tourism-and-covid-19>.

salaries, and business entities with annual revenue of under MNT 1.5 billion (about USD 540,000) were exempted from business income taxation.

4.229. Second, from April to June 2020 a monthly relief lump sum of MNT 200,000 was given to employees of the business entities affected by the economic downturn.

4.230. Third, the MET is working on a scheme to expand and lower the interest rate of the Green Loan initiative mentioned above.

5 APPENDIX TABLES

Table A1.1 Merchandise exports, by HS section and major HS chapter, 2013-19

HS section/chapter/subheading	2013	2014	2015	2016	2017	2018	2019
Total exports (USD million)	4,269.1	5,774.3	4,669.3	4,916.3	6,200.6	7,011.8	7,619.8
	(% of total exports)						
01 Live animals and products	0.6	0.3	0.6	0.6	1.1	1.5	1.3
02 Vegetable products	0.2	0.4	0.8	1.1	1.1	0.3	0.2
03 Fats and oils	0.00	0.00	0.00	0.01	0.01	0.01	0.01
04 Prepared food, beverages, and tobacco	0.3	0.2	0.3	0.2	0.4	1.3	0.8
1602 Prepared or preserved meat, meat offal, or blood	0.00	0.00	0.01	0.03	0.14	1.13	0.66
05 Mineral products	81.9	83.0	78.8	70.9	79.6	86.6	83.7
25 Salt, sulphur, earth and stone, plastering materials, cement	2.0	1.3	1.4	1.2	1.4	2.7	2.7
2529 Fluorspar	2.0	1.2	1.4	1.2	1.4	2.7	2.7
26 Ores, slag, and ash	41.3	55.8	57.0	42.9	35.5	38.1	35.3
2601 Iron ores and concentrates	15.3	7.7	4.9	5.1	5.1	4.9	7.6
2603 Copper ores and concentrates	22.2	44.6	48.8	32.7	26.0	28.7	23.6
2608 Zinc ores and concentrates	2.8	2.0	2.2	3.0	2.9	2.8	2.5
27 Mineral fuels and oils	38.7	25.9	20.3	26.8	42.7	45.8	45.7
2701 Coal	26.1	14.7	11.9	19.8	36.4	39.7	40.3
2709 Petroleum oils and oils obtained from bituminous minerals; crude	12.1	11.0	8.3	6.9	6.0	5.6	4.8
06 Chemicals and products thereof	0.01	0.01	0.01	0.03	0.02	0.02	0.03
07 Plastics and rubber	0.07	0.04	0.05	0.15	0.05	0.02	0.02
08 Raw hides and skins; leather, furskins, and articles thereof	0.8	0.6	0.7	0.6	0.4	0.2	0.2
09 Wood, cork, straw	0.01	0.01	0.01	0.01	0.01	0.01	0.01
10 Pulp of wood; paper and paperboard	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11 Textiles and textile articles	6.6	5.9	6.5	6.1	5.4	5.8	5.7
51 Wool, fine or coarse animal hair	6.0	5.4	5.9	5.4	4.7	5.2	4.9
5102 Fine or coarse animal hair, not carded or combed	4.5	4.1	4.6	4.3	3.7	4.0	4.0
510211 ... of kashmir (cashmere) goats	4.5	4.0	4.5	4.3	3.6	4.0	3.9
12 Footwear, headgear, etc.	0.03	0.02	0.03	0.04	0.04	0.03	0.03
13 Articles of stone, plaster, cement	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14 Precious stones and metals	7.3	7.0	9.0	15.5	9.6	2.1	5.5
7108 Gold, unwrought or in semi-manufactured form, or in powder form	7.3	7.0	9.0	15.4	9.6	2.1	5.5
15 Base metals and articles thereof	0.5	0.8	1.5	1.8	1.6	1.3	1.0
7403 Copper; refined and copper alloys, unwrought	0.4	0.7	1.4	1.5	1.5	1.2	0.9
16 Machinery, electrical equipment	1.1	1.0	1.2	1.5	0.4	0.4	0.5
17 Transport equipment	0.5	0.6	0.4	1.4	0.3	0.4	1.0
18 Precision equipment	0.04	0.06	0.06	0.02	0.02	0.06	0.02
19 Arms and ammunition	0.00	0.00	0.00	0.00	0.00	0.00	0.00
20 Miscellaneous manufactured articles	0.05	0.04	0.04	0.05	0.04	0.03	0.03
21 Works of art, etc.	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: WTO calculations, based on the UN Comtrade Database, and on data provided by the authorities (2019).

Table A1.2 Merchandise imports, by HS section and major HS chapter, 2013-19

HS Section/chapter/subheading	2013	2014	2015	2016	2017	2018	2019
Total imports (USD million)	6,357.8	5,131.5	3,796.6	3,339.6	4,337.3	5,874.8	6,127.4
	(% of total imports)						
01 Live animals and products	1.0	0.0	1.1	1.2	1.3	1.2	1.3
02 Vegetable products	1.1	1.0	2.1	3.3	1.8	2.3	1.5
03 Fats and oils	0.6	0.6	0.7	0.8	0.7	0.6	0.5
04 Prepared food, beverages, and tobacco	6.5	7.5	8.7	9.9	8.7	7.4	7.3
05 Mineral products	27.3	28.5	24.7	21.1	22.8	22.6	22.4
27 Mineral fuels and oils	25.6	26.5	23.0	20.4	22.4	22.4	22.2
2710 Petroleum oils other than crude	22.2	22.5	18.6	15.3	18.2	18.9	19.0
06 Chemicals and products thereof	4.7	6.0	7.1	8.1	7.3	6.3	6.0
30 Pharmaceuticals	1.2	1.6	1.9	2.7	2.2	2.0	1.8
07 Plastics and rubber	3.7	4.0	3.7	4.1	4.2	3.9	4.2
39 Plastics and articles thereof	1.9	2.3	2.2	2.3	2.2	2.2	2.3
08 Raw hides and skins; leather, furskins, and articles thereof	0.1	0.1	0.1	0.2	0.2	0.1	0.1
09 Wood, cork, straw	0.7	1.1	1.1	0.9	0.9	0.6	0.7
10 Pulp of wood; paper and paperboard	1.0	1.1	1.2	1.4	1.2	1.0	0.9
11 Textiles and textile articles	1.1	1.3	1.5	1.9	1.7	1.5	1.4
12 Footwear, headgear, etc.	0.2	0.3	0.3	0.4	0.4	0.3	0.3
13 Articles of stone, plaster, cement	2.2	2.8	2.8	2.5	1.9	1.9	2.3
14 Precious stones and metals, pearls	0.0	0.1	0.0	0.0	0.0	0.0	0.0
15 Base metals and articles thereof	8.7	10.5	9.8	6.3	7.7	9.2	8.8
72 Iron and steel	3.2	3.9	2.8	1.5	1.9	2.6	3.2
73 Articles of iron and steel	4.6	5.5	5.1	3.8	4.8	5.5	4.8
16 Machinery, electrical equipment	21.9	19.2	20.7	20.4	21.2	21.9	20.2
84 Machinery and mechanical appliances, and parts thereof	15.1	12.6	13.6	11.2	12.8	13.6	14.2
85 Electrical machinery and parts thereof	6.8	6.6	7.1	9.1	8.4	8.3	6.1
17 Transport equipment	15.7	12.0	9.7	13.0	14.4	15.3	19.0
87 Vehicles and parts thereof	13.0	9.7	9.4	11.9	12.8	14.1	16.2
8703 Motor vehicles for the transport of persons	5.9	5.6	5.5	6.6	6.0	6.9	6.8
8704 Motor vehicles for the transport of goods	4.8	2.1	1.3	1.4	4.4	4.8	6.9
18 Precision instruments	1.4	1.8	2.3	1.8	1.4	1.8	1.5
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.9	2.1	2.3	2.6	2.2	1.9	1.5
21 Works of art, collectors' pieces and antiques	0.0	0.1	0.1	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on the UN Comtrade Database, and on data provided by the authorities (2019).

Table A1.3 Merchandise exports, by destination, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Total exports (USD million)	4,269.1	5,774.3	4,669.3	4,916.3	6,200.6	7,011.8	7,619.8
	(% of total)						
Americas	3.3	0.3	0.4	0.3	0.2	0.1	0.4
United States	0.1	0.3	0.4	0.2	0.1	0.1	0.3
Other America	3.2	0.0	0.0	0.1	0.0	0.0	0.0
Canada	3.2	0.0	0.0	0.1	0.0	0.0	0.0
Europe	6.8	9.2	11.0	17.9	11.8	3.7	5.8
EU-28	6.7	8.7	8.6	17.8	11.7	3.6	4.8
United Kingdom	4.7	6.9	7.2	16.0	10.7	2.5	3.8
Italy	1.2	0.9	0.9	0.7	0.7	0.8	0.6
Germany	0.4	0.3	0.2	0.9	0.2	0.2	0.2
France	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Austria	0.1	0.0	0.0	0.0	0.0	0.1	0.0
EFTA	0.1	0.5	2.4	0.0	0.0	0.0	1.0
Switzerland	0.1	0.5	2.3	0.0	0.0	0.0	1.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Commonwealth of independent states (CIS)	1.6	1.2	1.7	1.2	1.1	1.3	1.0
Russian Federation	1.4	1.1	1.6	1.1	1.1	1.2	0.9
Kazakhstan	0.0	0.1	0.0	0.0	0.0	0.1	0.1
Africa	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Middle East	0.3	0.4	0.3	0.2	0.2	0.2	0.3
Iran	0.0	0.0	0.0	0.0	0.1	0.1	0.3
Asia	87.9	88.9	86.5	80.5	86.7	94.7	92.5
China	86.7	87.8	83.5	79.0	85.0	92.8	88.9
Japan	0.2	0.4	0.4	0.3	0.2	0.4	0.2
Other Asia	1.0	0.7	2.6	1.2	1.5	1.5	3.4
Singapore	0.2	0.2	0.6	0.3	0.4	0.4	2.0
Australia	0.2	0.0	0.1	0.0	0.1	0.0	0.5
Korea, Republic of	0.3	0.2	1.4	0.2	0.2	0.3	0.4
Chinese Taipei	0.0	0.0	0.0	0.2	0.4	0.4	0.1
Viet Nam	0.0	0.1	0.1	0.1	0.0	0.1	0.1
Hong Kong, China	0.1	0.1	0.3	0.2	0.2	0.2	0.1
Thailand	0.0	0.0	0.0	0.1	0.0	0.0	0.1

Source: WTO Secretariat calculations, based on the UN Comtrade Database, and on data provided by the authorities (2019).

Table A1.4 Merchandise imports, by origin, 2013-19

	2013	2014	2015	2016	2017	2018	2019
Total imports (USD million)	6,357.8	5,131.5	3,796.6	3,339.6	4,337.3	5,874.8	6,127.4
	(% of total)						
Americas	9.7	5.0	4.0	5.4	6.2	4.9	6.4
United States	8.1	4.2	3.1	4.2	4.8	3.6	4.7
Other America	1.6	0.7	1.0	1.2	1.4	1.3	1.7
Canada	1.3	0.4	0.5	0.6	0.7	0.7	0.8
Brazil	0.1	0.0	0.1	0.1	0.2	0.2	0.6
Europe	12.3	9.9	10.9	12.4	2.0	10.8	10.8
EU-28	11.4	9.0	9.8	11.2	10.9	9.8	9.6
Germany	4.0	3.0	3.3	3.6	3.0	2.9	3.1
Poland	1.0	0.9	1.0	1.2	1.1	1.0	1.1
Italy	0.9	0.9	0.9	1.0	1.1	0.9	1.0
Sweden	0.6	0.2	0.3	0.8	0.8	0.7	0.7
France	1.0	1.0	0.7	0.6	0.7	0.7	0.6
Austria	0.1	0.2	0.6	0.3	0.2	0.3	0.6
United Kingdom	0.7	0.5	0.6	0.8	0.7	0.5	0.5
EFTA	0.2	0.2	0.3	0.3	0.3	0.3	0.4
Other Europe	0.7	0.8	0.9	0.9	0.8	0.8	0.8
Turkey	0.7	0.7	0.7	0.8	0.7	0.7	0.7
Commonwealth of independent states (CIS)	28.6	32.4	29.3	28.2	30.2	30.8	29.8
Russian Federation	24.6	29.9	26.9	25.8	28.1	29.1	28.2
Belarus	2.4	0.4	0.5	0.4	0.6	0.4	0.6
Ukraine	0.9	1.3	1.0	1.0	0.6	0.7	0.5
Kazakhstan	0.5	0.6	0.8	0.9	0.8	0.5	0.5
Africa	0.2	0.2	0.1	0.1	0.1	0.2	0.2
Middle East	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asia	49.2	52.5	55.6	53.8	51.4	53.2	52.7
China	28.1	33.1	35.8	31.1	32.6	33.5	33.2
Japan	7.0	7.2	7.2	9.9	8.4	9.5	9.6
Other Asia	14.1	12.2	12.5	12.8	10.4	10.1	9.9
Korea, Republic of	8.0	6.8	6.8	5.9	4.6	4.5	4.4
Australia	0.8	0.3	0.3	0.7	0.8	0.8	0.9
Viet Nam	0.4	0.5	0.8	1.2	0.9	0.8	0.9
Malaysia	1.4	1.2	1.0	1.2	0.9	0.9	0.9
India	0.5	0.2	0.4	0.7	0.8	0.9	0.6
Thailand	0.7	0.9	0.9	0.9	0.7	0.6	0.6

Source: WTO Secretariat calculations, based on the UN Comtrade Database, and on data provided by the authorities (2019).

Table A1.5 Total inward direct investment stocks, by sector, 2014-19

(USD million)

Economic sector	2014	2015	2016	2017	2018	2019
Construction	891.6	907.5	933.1	835.5	865.0	917.2
Education services	13.0	13.0	13.6	14.2	14.5	18.3
Processing industries	659.4	681.4	285.4	326.1	317.2	331.5
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,178.4	1,383.5	1,122.4	1,525.1	1,634.7	1,725.3
Accommodation and food-service activities	133.1	299.8	389.1	300.5	295.1	297.9
Information and communication	180.9	178.6	145.8	128.9	142.5	147.4
Professional, scientific, and technical activities	168.5	179.5	183.6	185.7	198.2	207.2
Activities of extraterritorial organizations and bodies	0.0	0.0	0.0	0.0	11.9	13.8
Financial and insurance activities	675.1	720.4	734.0	793.6	919.0	1,026.0
Transportation and storage	59.0	57.7	55.0	59.6	122.2	152.6
Administrative and support service activities	81.0	73.9	41.9	55.0	117.7	200.5
Arts, entertainment, and recreation	4.3	5.3	5.8	6.0	6.1	6.4
Water supply; sewerage, waste management, and remediation activities	9.3	9.8	10.1	10.1	10.1	10.3
Mining and quarrying	15,419.7	15,360.0	11,518.3	12,825.8	14,566.8	16,232.3
Other service activities	552.7	593.5	599.6	650.8	676.3	693.4
Real estate activities	135.9	142.5	146.0	164.4	180.3	179.5
Agriculture, forestry, and fishing	58.0	61.6	64.6	69.4	72.7	77.2
Activities of private households as employers and undifferentiated production activities of private households	1.7	1.9	2.1	3.4	3.4	3.5
Health and social work	9.1	9.6	10.5	24.6	25.7	26.6
Electricity, gas, steam, and air-conditioning supply	16.4	16.7	16.7	41.2	42.2	43.2
Public administration and defence; compulsory social insurance	0.0	0.0	0.0	0.0	1.4	1.7
Total	20,247.0	20,696.3	16,277.5	18,019.9	20,223.0	22,555.7

Source: Information provided by the authorities.

Table A1.6 Total inward direct investment inflow, by sector, 2014-19

(USD million)

Economic sector	2014	2015	2016	2017	2018	2019
Construction	124.0	76.0	70.5	55.4	21.7	59.3
Education services	0.4	0.0	0.9	0.6	0.6	3.7
Processing industries	29.1	29.9	24.1	33.0	43.4	24.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	292.6	101.5	111.5	297.1	143.2	198.4
Accommodation and food-service activities	4.8	170.8	144.9	23.5	10.2	16.5
Information and communication	19.4	30.7	10.5	4.8	7.6	7.3
Professional, scientific, and technical activities	11.3	15.3	12.1	5.9	16.6	59.1
Activities of extraterritorial organizations and bodies	0.0	0.0	0.0	0.0	12.1	1.9
Financial and insurance activities	117.4	72.0	73.0	53.6	224.4	146.2
Transportation and storage	8.1	6.3	6.7	41.2	1.7	34.1
Administrative and support service activities	13.1	3.4	4.1	13.0	24.6	84.8
Arts, entertainment, and recreation	1.3	1.1	1.0	0.3	0.0	0.5
Water supply; sewerage, waste management, and remediation activities	0.1	0.6	0.7	0.0	0.0	0.2
Mining and quarrying	1,271.7	789.7	941.2	1,442.4	2,130.3	2,197.2
Other service activities	66.6	78.6	53.9	42.5	64.2	39.6
Real estate activities	18.0	14.5	22.6	20.8	20.8	19.3
Agriculture, forestry, and fishing	11.5	4.2	5.3	5.6	3.4	4.5
Activities of private households as employers and undifferentiated production activities of private households	0.3	0.5	0.6	1.3	0.0	0.1
Health and social work	0.6	0.6	1.7	20.2	1.2	0.8
Electricity, gas, steam and air-conditioning supply	1.0	0.6	1.2	25.1	1.4	1.3
Public administration and defence; compulsory social insurance	0.0	0.0	0.0	0.0	1.4	0.4
Total	1,991.5	1,396.3	1,486.4	2,086.3	2,728.7	2,899.9

Source: Information provided by the authorities.

Table A2.1 Selected notifications to the WTO, 1 January 2015-31 October 2020

WTO agreement	Description	Document symbol	Date
Agreement on Agriculture			
Articles 10 and 18.2 (ES:2 and ES:3)	Export subsidies commitments: budgetary outlays and quantity reduction commitments; and notification of total exports	G/AG/N/MNG/9	04/06/2018
Article 18.2 (DS:1)	Domestic support	G/AG/N/MNG/10	22/02/2019
General Agreement on Trade in Services			
Article III:4 or IV:2	Contact and enquiry points	S/ENQ/78/Rev.20	25/03/2020
Article V:7(a)(3)	Economic integration agreements: Mongolia-Japan	S/C/N/863	02/06/2016
GATT 1994			
Article XXIV:7(a) of GATT 1994	Free-trade areas: Mongolia-Japan	WT/REG373/N/1	02/06/2016
Trade Facilitation Agreement			
Article 22.3	Contact points of the office responsible for coordinating trade facilitation-related assistance and support for capacity building	G/TFA/N/MNG/3	04/09/2019
Articles 1.4, 10.6.2, and 12.2.2	Publication	G/TFA/N/MNG/2 G/TFA/N/MNG/2/Add.1	12/07/2019 12/12/2019
Articles 15 and 16	Category commitments	G/TFA/N/MNG/1	26/02/2018
Agreement on Rules of Origin			
Article 5, and Paragraph 4 of Annex II	Non-preferential and preferential rules of origin	G/RO/N/144 G/RO/N/164	12/09/2016 03/04/2018
Agreement on Technical Barriers to Trade			
Article 2.9	Technical regulations	G/TNT/N/MNG/7 G/TBT/N/MNG/9 G/TBT/N/MNG/10	20/02/2017 04/11/2019 04/11/2019
Article 5.6	TBT notification	G/TNT/N/MNG/8 G/TBT/N/MNG/11	04/11/2019 04/11/2019

Source: WTO Secretariat.

Table A3.1 Tariff lines where the MFN applied rate exceeds the bound rate, 2020

HS code	Description	MFN applied rate	Bound rate
Fully exceeding at the 8-digit level:			
29011000	Acyclic hydrocarbons	5%	0%
29012100		5%	0%
29012200		5%	0%
29012300		5%	0%
29012400		5%	0%
29012900		5%	0%
29021100	Cyclic hydrocarbons	5%	0%
29021900		5%	0%
29022000		5%	0%
29023000		5%	0%
29024100		5%	0%
29024200		5%	0%
29024300		5%	0%
29024400		5%	0%
29025000		5%	0%
29026000		5%	0%
29027000		5%	0%
29029000		5%	0%
30019000	Pharmaceutical products	5%	0%
30021100		5%	0%
30021200		5%	0%
30021300		5%	0%
30021400		5%	0%
30021500		5%	0%
30021900		5%	0%
30022000		5%	0%
30023000		5%	0%
30031000		5%	0%
30032000		5%	0%
30033100		5%	0%
30033900		5%	0%
30034100		5%	0%
30034200		5%	0%
30034300		5%	0%
30034900		5%	0%
30036000		5%	0%
30039000		5%	0%
30041010		5%	0%
30041090		5%	0%
30042010		5%	0%
30042090		5%	0%
30043110		5%	0%
30043190		5%	0%
30043210		5%	0%
30043290		5%	0%
30043910		5%	0%
30043990		5%	0%
30044110		5%	0%
30044190		5%	0%
30044210		5%	0%
30044290		5%	0%
30044310		5%	0%

HS code	Description	MFN applied rate	Bound rate
30044390		5%	0%
30044910		5%	0%
30044990		5%	0%
30045010		5%	0%
30045090		5%	0%
30046010		5%	0%
30046090		5%	0%
30049010		5%	0%
30049090		5%	0%
30051000		5%	0%
30059010		5%	0%
30059030		5%	0%
30059040		5%	0%
30059090		5%	0%
30061000		5%	0%
30062000		5%	0%
30063000		5%	0%
30064000		5%	0%
30065000		5%	0%
30066000		5%	0%
30069200		5%	3.25%
Partially exceeding at the 8-digit level:			
01029000	Live bovine animals other than cattle or buffalo (pure-bred animals are bound at 0%)	5%	0%, 20%
30029000	"Other" medicaments	5%	0%, 6.5%
30069200	Waste pharmaceuticals	5%	0%, 6.5%
38253000	Clinical waste (clinical waste of HS heading 3005 is bound at 0%)	5%	0%, 6.5%, 20%
84439900	Parts and accessories of printing machinery (of HS heading 8471 bound at 0%)	5%	0%, 20%
84734000	Parts and accessories of (other) office machines	5%	0%, 20%
84735000	(automatic data processing machines bound at 0%)	5%	0%, 20%
85044000	Static converters	5%	0%, 20%
85235200	"Smart cards" (cards incorporating only one electronic integrated circuit bound at 0%)	5%	0%, 20%
85284200	Monitors/projectors capable of directly connecting to, and designed for use with, an automatic data processing machine of HS heading 8471	5%	0%, 20%
85285200		5%	0%, 20%
85286200		5%	0%, 20%
85439000	Parts of electrical machines n.e.s. (parts for electronic microassemblies bound at 0%)	5%	0%, 20%
85489000	Electrical parts of machinery or apparatus n.e.s. (electronic microassemblies bound at 0%)	5%	0%, 20%

Note: Prohibited tariff lines are not taken into account due to the unavailability of the MFN applied rate.

Source: WTO Secretariat, based on data provided by the authorities.