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/m^3) 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 county'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.