Simplification and harmonization of documentation and customs procedures: case of Mongolia

Expert Group Meeting on Improving transit cooperation and trade facilitation for further integration of LLDCs in global trade

GANKHUYAG Sodnom
Ambassador-at-large, MFA

November, 17th 2019
Content

1. Current economic and trade situation
2. Trade costs
3. TFA implication for Mongolia, challenges and solutions
Current economic situation

- Landlocked developing economy highly dependent on export of natural resources like coal, copper concentrate and gold.
- GDP growth in 2018 has reached 6.3%
- Unemployment: 7.5%
- Inflation: 5.7%
- Trade turnover: USD 12.5 bn
- Nearest access to sea in 980 km (Tianjin, China)
CURRENT ECONOMIC SITUATION (1st half of 2019)

- GDP Growth: 6.1%
- Freight Turnover: 15% Increase
- Trade Balance: 1.8 Billion USD
- Budget Deficit: Decreased by Two Times vs. Previous Year
- Domestic Currency Rate: Stabilized and Increasing
- Savings: 2.5 Trillion Tugriks
- FDI Growth: 54%
MONGOLIA’S TRADE TURNOVER, TRADE BALANCE 2011-2018

ГАДААД ХУДАЛДААНЫ ЖИЛИЙН НИЙТ ЭРГЭЛТ, ЭКСПОРТ, ИМПОРТ, жиллээр (Хэмжих нэгж: тэрбум.ам.доллар)
### Trading Across Border: Mongolia

<table>
<thead>
<tr>
<th>Items</th>
<th>Mongolia</th>
<th>East Asia, Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trading across borders criteria indicators, in 2014 (173rd place)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export documentary compliance (quantity)</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Time to export (days)</td>
<td>46</td>
<td>22</td>
</tr>
<tr>
<td>Cost to export (container/USD)</td>
<td>2,265</td>
<td>906</td>
</tr>
<tr>
<td>Import documentary compliance (quantity)</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Time to import (days)</td>
<td>47</td>
<td>23</td>
</tr>
<tr>
<td>Cost to import (container/USD)</td>
<td>2,400</td>
<td>954</td>
</tr>
<tr>
<td><strong>Trading across borders criteria indicators, in 2018 (110th place)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time to export: Border compliance (hours)</td>
<td>62</td>
<td>55</td>
</tr>
<tr>
<td>Cost to export: Border compliance (USD)</td>
<td>191</td>
<td>387.5</td>
</tr>
<tr>
<td>Time to export: Documentary compliance (hours)</td>
<td>168</td>
<td>68.2</td>
</tr>
<tr>
<td>Cost to export: Documentary compliance (USD)</td>
<td>64</td>
<td>112.1</td>
</tr>
<tr>
<td>Time to import: Border compliance (hours)</td>
<td>48</td>
<td>71</td>
</tr>
<tr>
<td>Cost to import: Border compliance (USD)</td>
<td>210</td>
<td>431</td>
</tr>
<tr>
<td>Time to import: Documentary compliance (hours)</td>
<td>115</td>
<td>65.6</td>
</tr>
<tr>
<td>Cost to import: Documentary compliance (USD)</td>
<td>83</td>
<td>111.4</td>
</tr>
</tbody>
</table>

*Source: World bank, Doing Business 2014 and 2018, Trading across border*
Export diversification by product (as of September, 2019)
Export diversification by country (as of September, 2019)

- China: 92.5%
- United Kingdom: 3.1%
- Russian Federation: 1.2%
- Others: 3.2%
Export of non-mining products (2000-2018, $ mln)

- 8 products make up 98.2 percent of non-mining export (2018)
  - Wool and cashmere, textile, base metals, machinery and equipment, vegetable products, raw hides and leather products, meat and meat products and food products.
- Wool and cashmere products account for only 20 percent of non-mining export and mainly exported at raw or semi-processed form.
- Export of meat products have reached 29.3 thousand tonnes in 2018, an increase of 3.2 times compared to 2016, but it is only 15 percent of total export potential.
- Around 20 percent of wool, cashmere and raw hides are processed domestically.
- Mongolia has potential to increase its export volume through supporting development of certain products that are less vulnerable to international commodity market, including ecologically clean wool, cashmere, leather, meat, milk, sea buckthorn and honey.
Challenges in export diversification efforts

- Insufficient coordination among implementation of different national programs for food, light industry, mining, tourism and other sectors
- Lack of mechanism for providing appropriate support for wool and cashmere sector to export their products
- FDI is mainly made into mining sector.
- Companies producing non-mining products lack financing opportunities and face loans with 16-18 percent interest rate
- Economic free zones and industrial parks need time to develop
- Agriculture market exchange is not fully developed to be able to provide producers and exporters with reliable supply of quality raw materials
- Trade facilitation agreement needs to be effectively implemented and non-tariff barriers need to be reduced significantly
- Better market access need to be provided and extensive market research needs to be conducted
Efforts for export diversification: “Mongol Export” Program

- Adopted in September, 2018
- Focuses on increase of non-mining export
- To be implemented in 2 phases

1st Phase (2018-2020)
- Develop production of export products, provide stable environment for trade, investment, financial and taxations issues and facilitate trade

2nd Phase (2021-2022)
- Increase export of value-added products that meet international standards, open better market access
The Program
Goal: improve connectivity between the three countries (rail, road, energy transmission lines, gas pipeline, high-speed internet connection)

Fields of Cooperation:
Transportation infrastructure: transit capacity will increase two fold by 2030
Development of border- crossing points
Facilitation of trade and inspection procedures
Improve ICT connectivity through high-speed internet connectivity
Efforts in trade facilitation: Mongolia, China, Russia Economic corridor program

Benefits for trade facilitation:
Harmonization of cross-border trade (MOU signed between the Customs authorities of Mongolia, Russia and China, 2015)
Improved connectivity: railway, highway, electricity, high-speed internet cable.
Ease of access to the sea: 980 km from Zamyn-Uud to Tianjin port
Facilitation of transport connectivity (Agreement on road transit along AH-3 signed with help of UNESCAP)
Agreements on transit transportation as well as customs agreement have been signed.

Challenges:
Lack of transparency
Hard negotiations

Solutions: Harmonization of Development documents of the three countries, Harmonization of the TFA implementation with the Economic corridor program implementation, namely 11. Freedom of transit
Efforts in trade facilitation:
Mongolia, China, Russia Economic corridor program
3. WTO TFA. IMPLICATIONS FOR MONGOLIA

➢ Predictable and efficient movement of goods across borders – reduction in trade costs and time

➢ The TFA measures could potentially reduce trade transaction costs between 13-15.5% for developing countries.

➢ Improve cooperation between customs and other border agencies within the country and within the region (Provision 2.2 – Cat A)

➢ The information availability will increase thanks to the provision 1.3. Mongolian customs introduces a green line phone 1800-1281
➢ Mongolia ratified the agreement in Nov, 2016

➢ TFA entered into force in Feb, 2017

➢ Established National trade facilitation committee chaired by Minister of Foreign Affairs in Aug, 2017

- The office of the Deputy Prime Minister
- Related Ministries
- Customs and Border agencies
- Mongolian National Chamber of Commerce and Industry
- Association of Exporters and Importers
- Association of Freight Forwarders and Customs Brokers
Category A – June, 2014

Category B and C – August, 2017

NTFC meetings – Oct, 2017; Feb 2018; Oct 2018

1st meeting: Committee charter and Action plan for 2017 approved

Organized workshops and seminars aimed at increasing awareness of the TFA

2nd meeting: Established 3 sub-committees Action plan for 2018 approved

International seminar on TF in cooperation with WB IFC

3rd meeting: Trade Facilitation Road Map for 2018-2022 Strategic plan of NTFC
SUCCESS STORY

➢ E-clearance is open to any company (So far 24% of registered companies use the service regularly)

➢ Mongolian Chamber of Commerce and Industry is operating a “One-stop-service” to deliver the certificate of origin and the ATA carnet and other certificates about a company;

➢ Paperless clearance (85% of export clearance)

➢ Authorized economic operator (AEO), MOU signed with China and South Korea, 2 companies have received the title of AEO for 3 years
What Benefits & Effects are generated?

- Reduced Inspection rates
- Simplified Customs procedure
- Priority Clearance
  Designated Liaison officer
REGIONAL IMPROVEMENT OF BORDER SERVICES (RIBS):

- Altanbulag BCP: construction of a 1.6km of road from Altanbulag BCP to the main road;
- Construction of a single stop service center for all border agencies at Sukhbaatar BCP;
- Provision of new equipment at Altanbulag, Zamyn-Uud and Bichigt BCPs to strengthen customs processing capacity.

SUCCESS STORY

ZAMYN-UUD LOGISTICS CENTER WITH ROAD AND RAIL:

- Multi-modal facility with facilities for road-to-road, road-to-rail and rail-to-rail transshipment
- Terminal shipment is procured
- Strengthened institutional capacity
Zamyn Uud logistics center
### Challenges in Implementing Trade Facilitation Agreement

- Lack of understanding among Government agencies
- Discrepancies between national laws and the WTO TFA. Example: Provision 6.3
- Unstable organizational framework: lack of an established entity or unit to supervise the implementation of TFA.
- Insufficient financial resources
- Weak human capacity
- Slow progress in cooperation with neighboring transit countries
- Overlapping of development programs and projects: single window (unsuccessful project by the WCO and a new project on Trade portal in collaboration with WB and IFC, another project on Single window by ADB)
SOLUTIONS FOR BETTER IMPLEMENTING THE TFA

➢ Create Trade Portal System (nationwide). TPS can facilitate the development of the single window

➢ Better coordination within the Government: establish a unit to supervise the implementation of TFA and ensure coordination

➢ Increase the number of WTO accredited national experts in specialized fields: registration, evaluation etc.

➢ National capacity building to introduce more effective and efficient Self-Assessment and Advance ruling systems

➢ Improve Customs laboratory and sector laboratories
THANK YOU FOR YOUR ATTENTION