



TRADE POLICY REVIEW

REPORT BY

MONGOLIA

Revision

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Mongolia is attached.

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1 INTRODUCTION

1.1 Impacts of the COVID-19 pandemic

1.1. The COVID-19 pandemic lockdowns in Mongolia's trading partners and the related business contraction of economic entities caused a severe negative impact on the country's economic growth. The GDP of Mongolia contracted by 9.7% as of the first 6 months of 2020.¹ See Table 1 for the GDP growth in Mongolia during 2014-2019 and forecasts for 2020-2021.

Table 1 Mongolia's GDP Growth (2014-2019) and Forecasts (2020-2021)

Year	2014	2015	2016	2017	2018	2019	2020*	2021*
%	7.9	2.4	1.0	5.3	7.2	5.1	-2.0*	6.0*

* Forecast.

Source: Ministry of Finance.

1.2. According to the Bank of Mongolia's report², the balance of foreign trade as of the first 6 months of 2020 was recorded with the surplus of USD 165.8 million which had a positive impact on the balance of payment. For the same period, however, the budget revenues fell by 21.4% as compared to the same period last year and the balance of payment registered a deficit of MNT2.2 trillion.

1.3. The proceeds from the mineral sector which constitute about 23.7% of Mongolia's central budget revenues were at MNT347.3 billion in the first half of 2020 which was a drop of 32.9% against the same period of 2019.³

1.4. The total national debt of Mongolia amounted to USD 30.8 billion as of the second quarter of 2020 which was not a sharp increase from the previous quarter.⁴

1.5. About 90% of Mongolia's total export revenues is produced by its export to China. Despite the relatively stable coal price, the coal consumption in China saw a drop of over 30%. Because of the pandemic impact, the 2020 coal export slowed down to 356.9 thousand tons in February, 341.2 thousand in March, and to 997.8 thousand in April. However, thanks to the temporary "Green Access" policy, the coal export rebounded to 3,969.3 and 4,666.9 thousand tons in August and September, respectively.⁵

1.6. According to the performance data during the first 6 months of 2020, the considerable drop in the coal and oil exports in the February-March-April period primarily contributed to the 28.2% decrease in the total export which in turn pushed the total foreign trade turnover to 22.6% fall compared to the same period last year. As for the 9 months of 2020, the foreign trade turnover reached USD 9,075.1 million which was 13.9% lower than that of the same period of 2019.

1.7. Most suffered sectors from the pandemic were mining and services, especially coal transportation, civil aviation, and tourism were the most severe contraction took place. Leasing of mining equipment and machinery and consumption of fuel dropped significantly, and trading companies lost their income.

1.8. With the use of own resources and that of international banks and financial organizations, the Government has been undertaking a set of measures⁶ to protect the health and income of the

¹ National Statistical Office (NSO). Viewed at: https://www.1212.mn/stat.aspx?LIST_ID=976_L05.

² Bank of Mongolia: "Financial Stability Report" Volume 14, August 2020 (in Mongolian). Viewed at: https://www.mongolbank.mn/documents/sanhuuqintb/FSC_report_202008.pdf.

³ Ibid.

⁴ Ministry of Finance.

⁵ Customs General Administration.

⁶ Resolution #21 of the State Great Hural of 9 April 2020. Viewed at: <https://www.legalinfo.mn/law/details/15236?lawid=15236>.

population, to maintain jobs, and to revive the economy, and accelerating steps to ensure financial and economic stability, to prevent risks, and to redouble the digital transition in public services.⁷

2 MAJOR DEVELOPMENTS IN MONGOLIA'S TRADE AND ECONOMIC SECTORS (2014-2020)

2.1 Macroeconomic Situation

2.1. The slow-down of Mongolia's GDP growth from 7.9% in 2014 to 1.2 in 2016 was caused by the global financial and economic crisis, including the plunge of commodities' price in the extractive industries, and by Mongolia's economic difficulties due to the too optimistic and over-estimated anticipation for the revenues from the large mining enterprises and the sharp rise of its budget expenditures financed by credits.⁸

2.2. Since 2016, to tackle the burdens in the economy, the Government and the Bank of Mongolia jointly implemented an "Economic Recovery Program" aimed at macroeconomic stabilization, restructuring the economy, easing the debt burdens, and ensuring stable growth.⁹

2.3. As a result, the economy quickly recovered thanks to the positive developments in budget performance, improved macroeconomic policy coordination, relatively high level of commodities prices, and a sharp rise of private investment. The real GDP growth rate accelerated to 5.3% and 7.2% in 2017 and 2018, respectively. However, the dwindling world market prices of commodities together with the lower quality of the major mineral commodities slowed down the economic growth¹⁰ to 5.1% in 2019.

2.4. Since 2017, the Government jointly with the IMF implemented a 3-year "Extended Fund Facility" during which the economic recovery accelerated, the inflation rate remained near the target, and the official foreign reserve exceeded USD 4.2 billion. During 2016-2019, the foreign reserve increased 3.4 times and the confidence of foreign investors in Mongolia's economy started to return.

2.5. Mongolia was covered by the "Rapid Finance Instrument" provided by the IMF to its members to support their efforts to fight the COVID-19 pandemic and to revive their economies.¹¹

2.6. The Government issued "Dim Sam" bonds in 2015 to finance domestic securities; "Mazaalai" bonds in 2016, "Khuraldai" bonds in 2017, and "Gerege" bonds in 2018, respectively, because of its troubled budgetary and financial situation. In order to repay and refinance the foreign bonds of the Development Bank, the Government issued at the international financial market 5.5-year "Nomad" bonds in 2020 for USD 600 million with an annual interest rate of 5.125%. The proceeds were used to buy back certain portions of "Mazaalai" and "Chinggis" bonds that were due to be repaid in 2021-2022.¹²

2.2 Foreign Trade and Foreign Investment

Foreign Trade

2.7. Mongolia's foreign trade policy is implemented within the framework of its international, regional and bilateral agreements and respective domestic laws, and in conformity with the principles and rules of the WTO.

2.8. The foreign trade turnover in 2019 reached a historic record level of USD 13.7 billion, and the foreign trade balance has been positive since 2014 (Table 2). However, the sector still suffers from its dependence on a few types of export products, including mineral commodities.

⁷ Resolution #32 of the State Great Hural of 29 April 2020. Viewed at: <https://www.legalinfo.mn/law/details/15310?lawid=15310>.

⁸ National Development Agency. Viewed at: <http://nda.gov.mn/1177.html>.

⁹ Resolution #71 of the State Great Hural of 24 November 2016 on "Economic Recovery Program". Viewed at: <https://www.legalinfo.mn/law/details/12291>.

¹⁰ Viewed at: <https://www.worldbank.org/mn/country/mongolia/publication/mongolia-economic-update-macroeconomic-stability-and-credit-growth>.

¹¹ Ministry of Finance.

¹² Ministry of Finance. Viewed at: <https://mof.gov.mn/article/entry/news-09-29>.

2.9. As per the sectoral classification of exports, the mining sector exported in 2019 commodities worth USD 6,796 million, an increase by 9.3% compared to 2018, and the non-mining exports amounted to USD 823 million, an increase of 3.4%.

2.10. As of 2019, Mongolia's major export destinations were China (93.8%), Great Britain (4.0%), Switzerland (1.0), the Russian Federation (0.9), and Germany (0.2%). China (41.8%), the Russian Federation (35.1), Japan (11.9), the USA (5.9), the Republic of Korea (5.4) were the top import partners. 85.8% of our total foreign trade was made with our two neighbours.

2.11. As of the first 9 months of 2020, Mongolia traded with 154 countries and territories with a total foreign trade turnover of USD 9 billion. This was by USD 1.4 billion or 13.9% lower than the same period of 2019. However, the trade balance produced a USD 1.2 billion surplus.

Table 2 Foreign Trade Performance, 2014-2020

(USD million)

	2014	2015	2016	2017	2018	2019	9/1/2020
Total turnover	11,011.0	8,466.8	8,274.4	10,537.9	12,886.8	13,747.2	9,075.1
Exports	5,774.3	4,669.3	4,916.3	6,200.6	7,011.8	7,619.8	5,147.9
Imports	5,236.6	3,797.5	3,358.1	4,337.3	5,875.0	6,127.4	3,928.1
Balance	539.2	871.8	1,558.2	1,863.3	1,136.7	1,492.3	1,218.9

Source: Customs General Administration.

Export

2.12. In the first 9 months of 2020, Mongolia made exports to 66 countries of which 73.4, 20.6, 2.0 and 1.6%, respectively, exported to China, Switzerland, Singapore and Great Britain, making up 97.6% of the total exports.

2.13. By classification of export items, the minerals took up 70.3% or USD 3,616.9 million; pearl, precious and semi-precious stones, precious metals, jewellery and other products in this category – 22.7% or USD 1,168.4 million; textile products – 4.2% or USD 218.5 million, and raw and processed skins, hides, furs, and products thereof – 0.1% or USD 6.6 million. These categories produced 97.3% of the total export value.

2.14. In the first 9 months of 2020, 100% of oil, iron ore, copper concentrates and zinc concentrates were exported to China; 96% of coal – to China; 76.1 and 23.6% of fluorspar – to China and the Russian Federation, respectively; the bulk of processed and non-processed cow hides and horse skins – to China; 79.8% of combed cashmere – to Italy; 100% of washed cashmere – to China; 90.0, 5.4 and 4.6% of raw and semi-processed gold – to Switzerland, Singapore and Great Britain, respectively. These categories made up 92.4% of the total export value.¹³

Import

2.15. For the first 9 months of 2020, Mongolia imported goods originating from 137 countries of which China (36.8%), the Russian Federation (26.1), Japan (7.7), the USA (4.3), the Republic of Korea (4.3), and Germany (3.4) were major partners who together accounted for 82.7% of the total imports.

2.16. During the same period, the import goods in values consisted of machinery, mechanisms, equipment, parts and electric products (USD 797.8 million or 20.4%), minerals (USD 728.3 million or 18.9%), including petroleum products (USD 583.3 million or 80.1%), products of animal and plant origin and foods (USD 425.7 million or 12.3%), vehicles and their spare parts (USD 658.6 million or 16.8%), basic metals and metal products (USD 422.0 million or 10.7%), chemicals and related industrial products (USD 267.4 million or 6.8%), and these categories accounted for 85.5% in the total imports.

¹³ Customs General Administration. Viewed at: [Online Statistic Information System \(customs.gov.mn\)](http://online.statisticinformation.mn).

Foreign Investment

2.17. To revive the investors' confidence and to attract more foreign investment, the Government established a Council on Protection of Investors' Interests (2016), a Public-Private Consultative Committee (2017) and a One-stop Service Center (2019).

2.18. The foreign direct investment (FDI) in Mongolia has continuously increased since 2015 and was over USD 170 million more than as compared to the previous year (Table 3).

Table 3 FDI in Mongolia, 2014-2019

(USD million)

Year	2014	2015	2016	2017	2018	2019
Total	1,991.5	1,396.3	1,486.4	2,086.3	2,728.7	3,130.7

Source: National Statistical Office.

2.19. By the end of 2019, the major countries with a considerable investment in Mongolia were Canada (65.7%), China (7.1%), Singapore (6.4%), Luxembourg (4.5%), and Japan (4.3%) (Table 4).¹⁴

Table 4 Total FDI in Mongolia (as of the end of 2019, by country, in USD million)

Country	Canada	China	Singapore	Luxembourg	Japan
4 th Quarter, 2019	7,824.6	5,946.8	1,639.5	1,424.9	928.3

Source: Bank of Mongolia.

2.20. Mining and extractive industries accounted for 77.8% of the FDI made in Mongolia during 2014-2019. Such a concentration of the FDI in a few markets and a single sector makes the country's economy vulnerable (Table 5).¹⁵

Table 5 FDI in Mongolia by Economic Sectors, 2014-2019

(USD million)

	Economic Sectors	2014	2015	2016	2017	2018	2019
	Total	1,991.5	1,396.3	1,486.4	2,086.3	2,728.7	3,130.7
1.	Geology, exploration, extraction, and petroleum sectors	1,016.4	741.97	905.86	1,442.3	2,130.3	2,374.5
2.	Trade and public food service	632.45	424.46	378.47	320.60	153.40	274.50
3.	Others	121.28	81.40	72.58	13.00	100.78	134.70
4.	Banking and financial service	50.17	33.67	30.02	74.40	245.26	208.30
5.	Transportation	44.04	29.56	26.35	41.20	1.67	29.30
6.	Engineering facilities and construction materials production	32.37	21.73	19.37	55.50	21.69	52.70
7.	Light industries	27.01	18.13	16.16	33.10	43.37	26.60
8.	Processing of raw materials of animal origin	14.26	9.57	8.53	-	-	-
9.	Tourism and hospitality	13.37	8.97	8.00	-	-	-
10.	Information and communication technologies	11.48	7.71	6.87	4.80	7.56	6.20
11.	Food production	11.96	8.03	7.16			
12.	Culture, arts, education, science and printing	4.06	2.72	2.43	6.80	17.21	18.90
13.	Agriculture, crop farming, animal husbandry	3.96	2.66	2.37	5.60	3.39	3.20
14.	Health and personal care services	3.64	2.44	2.18	20.30	1.19	0.70

¹⁴ NSO: Research Paper on "National Economic Security", 2020. Viewed at: <https://bit.ly/3jRpXj9>.

¹⁵ Ibid.

	Economic Sectors	2014	2015	2016	2017	2018	2019
15.	Furniture and wood products	1.49	1.00	0.89	-	-	-
16.	Energy	1.37	0.92	0.8	-	-	-
17.	Public utilities	0.71	0.48	0.42	42.50	1.36	0.30
18.	Jewellery and souvenirs	0.66	0.44	0.39	-	-	-
19.	Production of electric appliances	0.45	0.30	0.27	25.10	1.44	0.80
20.	Production of household items	0.36	0.24	0.23	1.30	-	-

Source: National Statistical Office.

2.21. Current Government priorities focus on attracting foreign investment and obtaining concessional loans and grants for non-mining sectors such as infrastructure, energy, food, agriculture and tourism, and mega projects; on resolute protection of interests of the foreign investors.¹⁶

2.3 Regional Cooperation and Free Trade Agreements

2.22. The Economic Partnership Agreement between Mongolia and Japan was ratified by the State Great Hural (SGH) of Mongolia on 17 February 2015 and entered into force as of 7 June 2016. The Agreement regulates 17 specific issues such as trade in goods, rules of origin, customs regime, sanitary and phytosanitary rules, technical barriers to trade, trade in services, investment, improvement of the business environment, intellectual property, electronic trade, competition policy, dispute settlement, cooperation, migration of individuals, government procurement, etc.¹⁷ The bilateral trade has increased since the application of the Agreement.

2.23. The Agreement on Transparency in Matters Related to International Trade and Investment between the United States of America and Mongolia ("Transparency Agreement") was ratified by the SGH in 2014 and entered into force as of March 2017. The purpose of the Agreement is to improve the environment for the bilateral businesses through making transparent the process of developing and adopting trade-related laws and regulations, making fair the technical (administrative) handling of the trade-related issues, and fighting bribery and corruption. Within the framework of its implementation, the Ministry of Justice and Interior together with the National Legal Institute started publishing online the unofficial English translations of the laws of Mongolia.¹⁸

2.24. The Agreement Between Canada and Mongolia for the Promotion and Protection of Investments entered into force as of March 2017.

2.25. In order to examine the potential of establishing a bilateral free trade agreement, Mongolia and the Republic of Korea conducted a joint study in 2017 and its findings were presented to the Government. However, bilateral negotiations were not launched yet due to the other ongoing free trade negotiations of the Republic of Korea with its several partners. As of October 2020, two sides started working on updates of statistical data and information of the above joint study.

2.26. The Joint Working Group on study of a potential to establish a free trade agreement between Mongolia and the Eurasian Economic Union successfully held its first consultative meeting online in October 2020.

2.27. The SGH of Mongolia ratified the Asia-Pacific Trade Agreement (APTA) in December 2019¹⁹, and Mongolia has become its 7th member as of 29 September 2020. Mongolia notified other APTA members of its intention to apply the Agreement as of 1 January 2021. As of now as informed by the APTA Secretariat, all members except India have agreed to the above date.

2.28. Mongolia's accession to the APTA is significant for its joining the Asia-Pacific economic integration, expansion of its international market and attraction of foreign investment. The APTA

¹⁶ 2020-2024 Plan of Action of the Government of Mongolia. Viewed at: <https://www.legalinfo.mn/law/details/15586>.

¹⁷ Mongolian Customs. Viewed at: <https://www.customs.gov.mn/85-single-article-menus/799-2017-02-13-03-27-19>.

¹⁸ Viewed at: <https://www.legalinfo.mn/details/1317>.

¹⁹ APTA. Viewed at: <https://www.legalinfo.mn/law/details/14818?lawid=14818>.

members account for 65% of Mongolia's foreign trade turnover and 90 and 30%, respectively, of its export and import. So far, the APTA members conducted 4 rounds of tariff negotiations and reached an agreement to mutually reduce tariffs on over 10 thousand types of goods.

2.4 World Trade Organization

2.29. Mongolia since its accession to the WTO in 1997 has been actively participating in its activities and negotiations and had its trade policy reviewed in 2005 and 2014, respectively.

2.30. The SGH of Mongolia ratified the WTO Agreement on Trade Facilitation on 24 November 2016 and the Agreement on Trade in Civil Aircraft on 12 October 2018, respectively. The Government is currently working to amend the respective laws of Mongolia in line with its commitment under §§2.1.1 and 2.1.2 of the Agreement on Trade in Civil Aircraft to scrap import tariffs on all products stipulated for in the said paragraphs.

2.31. The Government of Mongolia approved on 2 September 2020 the Protocol of Accession of Mongolia to the Agreement Establishing the Advisory Centre on WTO Law which laid down the grounds to train experts on WTO Law and to cooperate with the Centre.

2.32. The National Committee, established by the Government Resolution #137 of 10 May 2017 in charge of overseeing and intersectoral coordination for the implementation of the Agreement on Trade Facilitation, developed policy documents such as its Strategic Plan for 2018-2022 and National Road Map on Trade Facilitation for 2018-2022.

2.5 Changes in Legislation

2.33. The most significant development in the legal environment of Mongolia was the amendments and revisions made in the Constitution of Mongolia in 2019. The amended and revised Constitution has entered into force as of 25 May 2020. The main thrust of the amendments and revisions was to solidify the parliamentary democracy, ensure the stability and accountability of the executive power, improve the responsibility and independence of the judiciary and strengthen the local governance.

2.34. Of economic significance are the provisions of Article 6 which states that "the land except that in citizen's private ownership, as well as the subsoil with its mineral wealth, forests, water resources, and fauna is the public property of the State. The State policy to utilize the natural wealth is based on long-term development policy and aims at guaranteeing the right of every citizen of current and future generations to live in a healthy and safe environment and accumulating the proceeds from the utilization of the mineral resources in the National Wealth Fund which will be distributed fairly and equitably".²⁰

2.35. Over 40 statute laws shall be revised to meet the language of provisions of the 2019 amendments and revisions of the Constitution which will be carried out in 2020-2021.

2.36. During 2014-2020, Mongolia amended, revised or re-written over 30 legislations related to foreign trade. These include Customs (2017), Customs Tariffs and Customs Taxation (2019), Free Trade Zones (2019), Standardization, Technical Regulation, and Certification of Agreed Valuation (2017), Investment (2016), Concessions (2016), Intellectual Properties (2020), Copyrights and Related Rights (2016), Competition (2019), Government Procurement (2019), Company (2018), and Arbitration (2019).

2.37. By its Resolution #278 of 2018, the Government of Mongolia launched a "Mongolian Export" Program.²¹ The purpose of the Program is to ensure Mongolia's lasting economic growth through establishing a favourable and sustainable environment for production and export and by step-by-step measures to expand export of non-mining products, to support the export of value-added products, to improve the competitiveness of export products, to facilitate trade, and to increase market access to export products. The Program is being implemented in the following two stages:

²⁰ Unofficial Translation.

²¹ Government Resolution 278 of 2018. Viewed at: <https://www.legalinfo.mn/annex/details/8719?lawid=13692>.

- creation of a favourable environment for the production of export goods, investment in trade for export, financing, taxation, and legislation; and diversification of non-mining export (2018-2020);
- implementation of measures to facilitate the export of value-added products of international standards, expansion of market access for export goods, and achievement of export growth (2021-2022).

2.38. In line with the Program's implementation, the Mongolian Parliament enacted the Corporate Income Tax Law (new edition, 2019), Law on Support to SME Production and Services (new edition, 2019), and Law on Accession to the Asia-Pacific Trade Agreement (2019). The Government of Mongolia declared 2019 as "the Year of Patriotic Purchase" and adopted policy documents such as "National Program of SME Support", "List of Priority SMEs", "State Policy on Construction for 2019-2029", "National Program on Development of Manufacturing", and "3rd Nation-wide Program for Development of Cooperatives". These laws and policy documents set the policy for the growth of production and export of non-mining goods.

2.39. Thanks to the implementation of policies and regulatory measures, positive developments were registered in the structure and diversification of exports. The non-mining products in the total export structure accounted for 11.4% in 2018 and 10.8 – in 2019, which was a 3.3 and 2.7 percentage increase as compared to the base year of 2017. The export revenues from the light industries and agriculture amounted to USD 823 million in 2019, an increase of USD 212.5 million over 2017.²²

2.40. Since 2015, the Government of Mongolia has been implementing the "Program on Foreign Economic Relations" aimed at mobilizing political and diplomatic means to facilitate the improvement of market access and attraction of foreign investment in order to contribute to the steady economic growth. A Council on Export Promotion was established in 2019 to facilitate export and to oversee the coordination among respective agencies. The Minister for Foreign Affairs and the Deputy Minister for Food, Agriculture and Light Industries serve as Chair and Vice-Chair of the Council, respectively.

2.41. Mongolia jointly with the International Trade Center developed a "Roadmap for Trade and investment of Mongolia" for the purpose of diversification of export products and target markets where eight sectors with an export growth potential such as wool, cashmere, meat and meat products, dairy, hides and skins, renewable energy, ICT, tourism, and mineral processing were identified as the priorities.

3 DEVELOPMENTS IN MONGOLIA'S MAIN ECONOMIC SECTORS

3.1 Minerals

3.1. According to the Ministry of Mining and Heavy Industries (MMHI), the mining sector produced 23.2% of the GDP, 71.7% of the output of the industrial sector and 90.1% of the export in 2019.²³

3.2. The contribution of the minerals sector to the State budget in 2019 reached MNT2,920 billion or 24.5% which was an increase by MNT590.7 billion or 25.4% as against the previous year (Table 6).

Table 6 Contribution of Minerals Sector to State Budget Revenues

Indicators	Total	Mining & Extractive	Petroleum	Licensing	Others
Revenue (MNT billion)	2,920.0	2,621.5	232,3	36,9	29,3
Percentage	24,5%	22.0%	2.0%	0,3%	0.2%

Source: Minerals Statistics, Ministry of Mining and Heavy Industries.

3.3. The minerals export reached USD 6.9 billion in 2019, an increase by 9.0% or by USD 567.5 million as compared to the previous year. Iron ore and concentrate, coal, copper concentrate,

²² MFA: "Report on Implementation of "Mongol Export" Program (as of the end of 2019).

²³ MMHI. Viewed at: <http://www.mmhi.gov.mn/public/more/id/923>.

fluorspar and molybdenum concentrate, zinc concentrate, oil, raw and semi-processed gold, and copper cathode accounted for 90/1% of the total export.

3.4. The total oil sector output was 6.9 million barrels or 932.4 thousand tons in 2019 of which 6.5 million barrels (889.1 thousand tons) worth USD3 66.7 million were exported. Though it was 355.4 thousand barrels more than as against the same period of 2018, the proceeds were USD 25.3 million less. The oil sector contributed MNT232.3 billion to the State budget.

3.5. The minerals import amounted to USD 1.4 billion in 2019 which was an increase of USD 46.5 million or 3.5% as compared to 2018. The petroleum products accounted for 85.0% of the total minerals import. The country imported 1.8 million tons of petroleum products worth USD 1.2 billion in 2019, an increase of volume by 17.0% or 268.5 thousand tons and of the value of 4.8% or USD 53.4 million, as against the same period in 2018. The gasoline and diesel fuel accounted for 87.9% of the total petroleum import, in which gasoline and diesel fuel took up 33.4 and 66.6%, respectively.

3.2 Agriculture

3.6. Though the share of agriculture in Mongolia's GDP shrinks as the economy expands, its value enjoys a constant annual growth. Animal husbandry remains the main contributor of the agricultural sector output.

3.7. The number of heads of domestic animals reached 71 million in 2019 which was almost 20 million more than the figure in 2014 (Table 7).²⁴

Table 7 Number of Heads of Domestic Animals, 2014-2019

('000)

2014	2015	2016	2017	2018	2019
51,982.58	55,979.78	61,549.24	66,218.96	66,460.18	70,969.32

Source: National Statistical Office.

3.8. The output of products of the animal husbandry in a preliminary estimate for 2019 was MNT5.2 trillion in current prices and MNT3.0 trillion in 2010 base year prices which was an increase of 18.1% in current prices and 8.7% in base year prices as compared to the previous year. The growth in animal husbandry production primarily depends on the number of heads of the domestic animals.²⁵ Therefore, paying attention to the per-capita animal productivity and quality and their step-by-step improvement have been one of the Government's priority goals.

3.9. The animal husbandry produced in 2019 545.0 thousand tons of meat in slaughter weight, 1,074-million-litre milk, 33.7 thousand tons of sheep wool, 10.9 thousand tons of cashmere, 2.2 thousand tons of camel wool, and 17.6 million hides and skins.²⁶

3.10. The total output of crop farming in the preliminary 2019 performance result reached MNT833.3 billion in current prices and MNT445.3 billion in 2010 base year prices. This was a growth of 0.9% or MNT7.1 billion as compared to 2018 and 5.0% or MNT21.2 billion as against the base year.²⁷

3.11. Mongolia harvested in 2019 433.3 thousand tons of wheat, 192.2 thousand tons of potato, 99.5 thousand tons of vegetables, 121.1 thousand tons of fodder crops, 34.0 thousand tons of technical crops, 1.8 thousand tons of fruits and berries. The figures represent 4.5, 2.2, and 1.1% decreases in wheat, fodder crops and vegetables, respectively, but 13.8, 42.4 and 5.0% increases in potato, technical crops and fruits and berries, respectively, against 2018.

²⁴ NSO. Viewed at: https://1212.mn/stat.aspx?LIST_ID=976_L10_1.

²⁵ NSO. Viewed at: <https://1212.mn/BookLibraryDownload.ashx?url=huduu%20aj%20ahui.pdf&ln=Mn>.

²⁶ Ibid.

²⁷ Ibid.

3.12. The products of agricultural origins accounted for 8.15% of the 2019 total of export.²⁸ The agricultural products took up 12% of the total imports in 2019.²⁹

3.3 Industry

3.13. The industrial sector holds a central place in the economic development of the country.

3.14. According to the 2019 performance statistics, GDP reached MNT32.3 trillion (in current prices) of which the industrial sector accounted for 41.3, a decrease of 0.86 percentage point (0.91 – for the mining and extractive industries) as compared to the previous year.³⁰

3.15. As of 2018, the shares in the value-added of the industrial sector were 67.6% from the mining and extractive industries, 26.4 – from processing industries, 4.8 – from power, gas, steam and ventilation, and 1.2 – from water supply, sewerage and waste management.

3.16. By the subsectors in the processing industries, food production, beverage, non-ferrous mineral products, textile, clothing and metal production accounted for 37.7, 10.9, 6.3, 5.4, 4.4 and 4.2%, respectively, in 2018. The remaining 31.0% came from other sectors.³¹

3.4 Power and Energy

3.17. In 2019, 7.0 billion kWh or 80.3% out of the total power reserves (8,623.1 million kWh) were produced domestically and 1.7 billion kWh or 19.7% were imported from China and the Russian Federation.³² Both the domestic production and importation of power have been increasing over the past years.

Table 8 Balance of electric power, 2014-2019

(mln kWh)

Indicators	2014	2015	2016	2017	2018	2019
Total Reserve	6,781.3	7,027.9	7,221.3	7,611.6	8,308.4	8,623.1
Production	5,391.9	5,634.1	5,802.2	6,089.1	6,624.8	6,900.4
Import	1,389.4	1,393.8	1,419.1	1,522.5	1,683.6	1,722.7

Source: Energy Regulatory Commission. Energy Statistical Book for 2018 and 2019.

3.18. In 2019, the import of power from China stood at 1.351.4 million kWh (MNT333.3 billion) and from the Russian Federation – at 0.371.7 million kWh (MNT76,2 billion).³³

Table 9 Import of electric power, 2019

(mln kWh, MNT bln)

Electric Power	1,722.7 (mln kWh)	409,5 (MNT bln)
China	1,351.4	333.3
Russian Federation	0.371.7	76,2

Source: Ministry of Energy.

3.5 Communications

3.19. The communications sector of Mongolia is being developed under the guidance of the policy documents such as "Mongolia's Sustainable Development Vision 2030" (2016-2030), its successor

²⁸ Ibid.

²⁹ NSO. Viewed at: <https://1212.mn/BookLibraryDownload.ashx?url=huduu%20aj%20ahui.pdf&ln=Mn>.

³⁰ NSO. Viewed at: https://1212.mn/BookLibraryDownload.ashx?url=Industry_2018.pdf&ln=Mn.

³¹ Ibid.

³² Ibid.

³³ Mongolian Customs. Viewed at: https://customs.gov.mn/statistics/index.php?module=users&cmd=info_st.

document "Vision 2050"³⁴ (2020-2050) and "State Policy on Development of Information and Communications Sector"³⁵ (2017-2025).

3.20. SGH of Mongolia of 2016-2020 established an Ad-hoc Parliamentary Committee on Digital Policy which has now been upgraded to a Standing Committee on Innovation and Digital Policy by its Resolution 11 of 9 July 2020.

3.21. Within the goal of establishing favourable conditions for the ICT sector through optimization of its legal environment and organization, the SGH enacted amendments and revisions to the Laws on Communications, Postal Services and Radio Spectrum. Also, a new Broadcasting Law was adopted by the Parliament on 12 December 2019. A draft Law on Data Protection has been developed and tabled before the Government for approval. A National Program on Digital Governance was approved. A National Program on Digital Content is being worked out.³⁶

3.22. The SGH of Mongolia ratified the United Nations Convention on the Use of Electronic Communications in International Contracts on 15 May 2020.

3.23. The following results were achieved within the goal of building a core national ICT network and infrastructure for meeting the growing needs and requirements of the public ICT services with the state support and private sector participation:

- The connection of all aimag (provincial) centers to the 100G network was completed and differences between the urban and rural service tariffs were reduced through replacement of the distance-dependent tariff scheme with the scheme based on volume and contract duration.
- As of the end of 2019, all soums (counties) of Mongolia except 8 soums were connected with high-speed fibre optic cables.
- A policy document "the Mid-term Planning on the Development of ICT Network and Infrastructure (2019-2024)" was adopted.
- A mid-term planning for radio frequencies allocation was developed.
- Concrete steps have been taken in preparation for a communications satellite launch.

3.24. The following developments are taking place within the goal of increasing the number of types, access and quality of services based on advanced ICTs:

- The 4th generation of mobile communication has become nation-wide and conditions for the introduction of the 5G infrastructure are being laid down.
- New services such as Fintech based on high-speed mobile broadband networks are being introduced intensively.

3.25. In recent years, the communications sector has expanded exponentially, its revenues have grown rapidly, and its role has increased. The revenues of the sector in 2019 amounted to approximately MNT1.3 trillion and its contribution to the budget exceeded MNT219 billion.³⁷

3.26. As of 2019, the number of mobile phone subscribers was 4.4 million, of which 3.2 million were smart phone users. The number of subscription Internet users reached 317 thousand which was a 50% increase over the 2015 figure.³⁸

3.27. In the conditions of the COVID-19 pandemic, the communications sector continued to provide uninterrupted services and, in addition, initiated discounted services and reduced tariffs for the

³⁴ Viewed at: <https://www.legalinfo.mn/law/details/15406>.

³⁵ Government of Mongolia Resolution #47 of 2017.

³⁶ CITA. Viewed at: <https://www.cita.gov.mn/10840.html>.

³⁷ CRC. Viewed at: <https://crc.gov.mn/k/35>.

³⁸ Ibid.

distance learning of students, dissemination of centralized information from the official sources to the public, and for all users, especially the public workers and officials serving at the frontline.

3.28. In implementation of the digital policy of the Government of Mongolia, the Communications and Information Technology Agency (CITA) has launched the project E-MONGOLIA with an aim of step-by-step digitization of all public services and their one-stop window delivery to the citizens. The single public service e-system www.e-mongolia.mn is used now by 10 state agencies for delivery of 52 services, including 34 tax services, through mobile applications and web portals.³⁹

3.6 Road and Transport

3.29. The road and transport are one of the most important sectors for the economy, especially for the trade of our country which has a large territory and low density of population. There are main road and transport sectors such as road and road transportation, railway, air and water transportation operating in Mongolia.

3.30. The road and transport sector carried in 2019 by its all modes 68.9 million tons of cargo and 173 million passengers which compared to the previous year was an increase of 1.7% or by 1.17 million tons of cargo and a decrease of 12.2% or by 23.99 million passengers.

3.31. From among the modes of transport, road transport saw a 2.8% reduction while railways and air transport experienced 9.2 and 0.2% increase, respectively.⁴⁰

3.32. 40.8 million tons, 28.1 million tons and 5.76 thousand tons of cargo were transported in 2019 by road, railway and air, respectively.

3.33. The sector received a total of MNT2 trillion revenue in 2019 of which the road, railway, air and water transports produced MNT 796.06 billion, MNT708.63 billion, MNT498.2 billion and MNT0.4 billion, respectively.

3.34. The total length of the country's national road network in 2019 was 11,593.8 km and that of railways was 1,962.4 km.

Table 10 Main indicators of road and transport sector, 2016-2019

Indicators	2016	2017	2018	2019
Total length of improved roads, km	10,126.0	10,355.2	10,835.8	11,593.8
of which: paved road, km	7,456.6	8,431.4	9,022.7	9,781
Gravel road, km	1,696.8	1,308.9	1,207.9	1,207.9
Improved country road, km	972.6	614.9	604.9	604.9
Length of bridges, meters	34,410.2	35,251.0	35,318.4	36,214.7
Length of railways, km	1,815.0	1,815.0	1,920.0	1,962.4
Air transport corridors	-	62	62	62

Source: 2019 Statistics of Road and Transport Sector.

3.35. There were 145 water transport vehicles with state plate numbers and licenses in the registry of the inland water transport fleet at the end of 2019. As of 13 November 2020, 351 vessels from 32 countries were operating in the sea under the national flag of Mongolia.⁴¹

3.36. The number and the cost of imported vehicles have been increasing each year. Vehicles worth USD 1.16 billion were imported in 2019 alone.⁴²

³⁹ CITA. Viewed at: <https://www.cita.gov.mn/57665.html>.

⁴⁰ MRTD: 2019 Statistics of Road and Transport Sector. Viewed at: <https://mrt.d.gov.mn/i/2276>.

⁴¹ Ibid.

⁴² Mongolian Customs. Viewed at: https://customs.gov.mn/statistics/index.php?module=users&cmd=info_st.

3.7 Construction and Urban Development

3.37. The Government adopted in 2019 a document "State Policy on Construction Sector for 2019-2029"⁴³ with an aim of creating more favourable environment for the population to live in healthy and safe conditions through intensified development of the construction sector in line with the trends of regional and urban development and the needs and requirements of large development projects and programs.

3.38. The construction and urban development sector achieved continued progress in substitution of imports and categories, number and quality of domestically produced construction materials and products. The production capacity for cement, concrete structure and products, and light concrete increased 6, 4, and 2 times, respectively. As a result, the sector has reached a level of domestic production capacity to satisfy 100% of the demand for major common materials used in construction.⁴⁴

3.39. In 2018, the construction sector imported 20 types of construction materials. The main construction materials imported in 2017-2018 in the highest volumes are (Table 11):

Table 11 Main Construction Materials Imported in 2017-2018

Type of material	Unit	2017		2018	
		Volume	Cost ('000 \$)	Volume	Cost ('000 \$)
Cement	Tons	35,809.4	2,032.9	35,809.4	2,032.90
Door	'000 pieces	21.2	1,242.5	33.1	2,198.7
Plastic tubes	tons	3,313.6	9,984.6	5,064.50	14,810.7
Window glass	'000 sq. m	1,443.2	3,281.2	2,379.5	4,923.7
Steel framework, rods	tons	104,160.1	53,875.5	191,833.9	113,212.0

Source: <https://www.barilqa.mn/n/11127/>.

3.40. As of today, 94.4% of the total output of the construction industry is produced by the private sector consisting of domestic companies with the production capacity of MNT3,566 billion work.

3.8 Banking and Financial Sector

3.41. As of September 2020, there were 12 commercial banks with 1,404 outlets operating in the banking sector. The number of savings account holders reached 3.5 million while the number of borrowers was 1.4 million.⁴⁵

3.42. There were 533 nonbank financial institutions (NBFIs) as of the 3rd quarter of 2020 operating non-bank financial services as licensed by the Financial Regulatory Commission (FRC).

3.43. In the same period, the total capital of the NBFIs increased by 19.3% and reached MNT1,942.1 billion of which MNT1,868.8 billion were current assets.

3.44. Also, for the same period, 248 savings and credit cooperatives (SCCs) were operating under the FRC license of which 150 were in Ulaanbaatar and 98 – in rural areas. The SCCs' assets increased by 7.3% as against the same period of the previous year and reached MNT234.28 billion.⁴⁶

3.45. As of the end of June 2020, 20.2% of the total individual loans were affected by the COVID-19 pandemic's impact. This figure for business loans was 37%. Therefore, the Bank of Mongolia carried out measures to ease burdens of non-performing loans of the citizens such as up to a 12-month

⁴³ Government Resolution 70 of 2019. Viewed at: <https://www.legalinfo.mn/annex/details/9483?lawid=14164>.

⁴⁴ Ibid.

⁴⁵ Монголбанк: Монгол Улсын санхүүгийн тогтвортой байдлын тайлан №13, 2019 оны 6 дугаар сар. Viewed at: https://www.mongolbank.mn/documents/sanhuugintb/FSC_report_201906.pdf.

⁴⁶ Ibid.

extension of consumer credit repayment; temporary freeze of mortgage repayment for Government housing program beneficiaries; introduction of temporary provisions in regulation on asset classification, establishment and usage of asset risk funds; support of instant payment liquidity; periodic conclusion of foreign currency swap agreements to reduce the foreign exchange risks.⁴⁷

3.9 Services

3.46. Mongolia's domestic trade sector as of the end of 2019 had over 17 thousand shops and about the same number of eateries and employed over 200 thousand people producing some 20% of the GDP.⁴⁸

3.47. The trade in services include the cross-border, foreign currency payments for professional workers, proceeds from and payment for international and transit transport, tourism, art and cultural events, sport and health services, payments for franchising and securities, as well as engineering and business consultancy services. The output of our trade in services reached USD 4 billion in 2019 and accounted for 18% of the total turnover of goods and services. The sector's trade deficit amounted to USD 2 billion⁴⁹ which is a considerable foreign reserve outflow.

3.10 Tourism

3.48. The number of foreign visitors to Mongolia, which was 529,360 in 2018, increased to 577,262 in 2019, a growth of 9%. The 2019 revenues from the tourism sector were up by 10.2% compared to the previous year and reached USD 697 million. The main countries with the most tourists bound to Mongolia were China, the Russian Federation and the Republic of Korea.⁵⁰

3.49. Due to the COVID-19 pandemic, in the first 6 months of 2020 the number of foreign visitors to Mongolia decreased by 21% compared to the previous year, the tourism revenues dropped by 28% and that of the civil aviation by 21.7%.⁵¹

3.50. The contribution of the tourism sector to the GDP has remained very low. Therefore, the Government is paying special attention to the sound development of the sector and assistance thereto.

Table 12 Share of Value-added of Tourism Sector in GDP, 2015-2018

(%)

Year	2015	2016	2017	2018
Per cent	0.25	0.22	0.2	0.2

Source: <http://sdq.gov.mn/>.

3.51. The "State Policy on Development of Tourism" adopted by Government Resolution 333 of 21 August 2019 aims at solution of pressing issues in the sector, equitable development of tourism across all regions, improvement of competitiveness of Mongolia at the international tourism market, creation of new jobs and improvement of livelihood of the rural population through introduction of new products and services, and development of highly productive and sustainable tourism.

⁴⁷ Ibid.

⁴⁸ MYXAYT. Viewed at: <https://www.mongolchamber.mn/a/384>.

⁴⁹ Ibid.

⁵⁰ Ministry of Environment and Tourism. Viewed at: <http://www.mne.mn/>.

⁵¹ Bank of Mongolia: "Financial Stability Report" Volume 14, August 2020 (in Mongolian). Viewed at: https://www.mongolbank.mn/documents/sanhuugintb/FSC_report_202008.pdf.

4 CURRENT GOALS OF MONGOLIA'S TRADE AND ECONOMIC COOPERATION

Goals of the Government:

4.1. The current Government of Mongolia has put forward the following goals in foreign trade and external economic cooperation⁵²:

- develop solutions for export financing and to increase the volume of export products;
- simplify the customs services to serve the promotion of foreign trade, to prevent and protect citizens from illegal and counterfeit products, to continue customs reforms for the complete collection of taxes and royalties from the exploitation of natural resources;
- continue the step-by-step construction and development of infrastructure for free trade zones, to create an environment conducive to the development of trade, services and light industry aimed at export and domestic market, and to extend support to foreign and domestic investors;
- establish economic cooperation zones along with the border areas in selected regions that are close to markets and natural resources and have the potential for enough labour force and for industrial development;
- establish an "Export Guarantee Fund" to provide specific support to entities exporting their products;
- expand the throughput capacity of border ports and to upgrade them to the standards of ports of neighbouring countries; to renew and improve the quality of buildings and facilities at the border posts;
- develop networks of production of agricultural goods and their sale, to reach a full domestic supply of major food products, and to support import substituting and export-oriented production;
- complete the feasibility study of natural gas pipelines from the Russian Federation through Mongolia to China and to carry out preparatory works to start the construction;
- expand the road and transport networks for the purpose of ensuring economic growth and increasing export;
- pay priority importance to the foreign economic relations, to increase and diversify the export relying on the public-private partnership, and to continue the policy of minimizing and mitigating the difficulties faced in foreign trade;
- consistently protect the interests of foreign investors and support attraction of the foreign investment and securing concessional loans and aids for the priority economic sectors such as infrastructure, mining, energy, food, agriculture and tourism, and related mega projects.

⁵² Government Program of Action for 2020-2024. Viewed at: <https://www.legalinfo.mn/law/details/15586>.