

“MONGOLIAN EXPORT PROGRAM”

One. General information

1.1 Legal rationale to develop the program

This program was developed based on "Mongolia's Sustainable Development Concept - 2030", "National Security Concept", "Foreign Policy Concept", "State Policy Paper on Agriculture", "Mongolia's Government Action Program for 2016-2020", "Economy Restoration Program", "Foreign Relations Economy Program", "Advertisement of Mongolia in Foreign Countries", "General Procedure for Development Policy Documents", "National Quality Program", "Action Strategy Plan of Customs Organization for 2016-2020", "Three-Pillar Development Policy", "Development Route Program" and "Law on Development Bank".

1.2 Circumstances and Pressing Issues

Mongolia is a landlocked country and has a small open economy, and much of its GDP is dependent on foreign trade. The fact that 89 percent of its GDP in 2017 was made up from export and import demonstrates that it is much dependent on foreign trade. In the case that Mongolia's 2017 export is compared to 2016, though it was increased by 1.3 billion US dollars reaching up to 6.2 US dollars, 89.2 percent of the total export was comprised of mining products, 10.8 percent non-mining products and 12.2 percent non-discriminatory or agricultural raw materials while only 1.4 percent has been a discriminatory product.

In the last years exploration and exploitation of major mineral deposits have provided significant opportunities for the country's economy. However, mining resources have been creating a number of challenges, one of which is over-dependence on mining. In our country with a low domestic market capacity and a relatively small low-income population, implementation of policies aimed at developing non-mining sectors is needed in order to diversify exports and to minimize dependence on mineral products. Promotion of export of non-mineral products is the key to diversifying the economy.

Though the country has seen a steady increase of non-mining export, this increase is very low compared with the mining sector growth.

About 20 percent of export of non-mining goods constitutes wool, cashmere, leather and sheepskin products, and others are exported in the form of raw and partially-processed products. Compared to 2016, export of meat has increased by 3.2 times in 2017 reaching 29.3 thousand tonnes; however, this represents only about 15 percent of the available export resources.

In accordance with the export market of non-mining products in 2017, cashmere and knitted wool goods worth of about 300 million US dollars were exported to Japan, South Korea, the US, Canada and EU countries, as well as meat and meat products worth of 70 million US dollars, and leather and sheepskin goods products worth of 24 million US dollars to China and Russia.

Mongolia is viewed to be less impacted by international market prices, and has been considered to having a potential to stable foreign currency resource boost through production of such items, as ecologically pure cashmere and leather goods, and meat, milk and buckthorn derivative products, thus, increasing the export level.

The following issues are being critical to manufacture Mongolia's export products and to advance the export trade.

1.2.1. While the State has developed and implemented medium-term policies and programs among food, light industry, mining and tourism sectors, there is no integrated or tied coordination of these programs at the national level.

1.2.2. The fact that high cost of production processes of wool, cashmere, leather and meat outputs, low working capital and high interest rates of commercial banks reduce the competitiveness in these sectors.

1.2.3. Although Mongolia's export products are few, which are predominated by mostly raw and semi-manufactured goods, there is a need to diversify the export structure.

1.2.4. Despite the fact that Mongolia's capacity of sheepskin, hide, wool and cashmere processing and manufacturing have reached an appropriate level and have a potential to increase the level of export, there is a need for a flexible policy to support the national manufacture and to protect domestic market.

1.2.5. A Mongolia's integrated export goods' manufacturing and export transportation and logistics policy have been missing.

1.2.6. There is a lack of favorable tax and investment environment for attracting foreign and domestic investors in the production and export trade of non-mining products.

1.2.7. Activities of the free economic zones and industrial parks have not been yet well-functioning and this factor does not have a positive impact on the increase of production export goods and thus, on the growth of export level.

1.2.8. Within the framework of the trade agreements concluded with partner countries, there is need for trade facilitation and reduction of tariff and non-tariff barriers through negotiation and compromise, and for an additional reflection and implementation of the issue in the upcoming trade and economic cooperation contracts and agreements.

1.2.9. There is a need for an increase of involvement of professional associations, trade and export-support oriented non-governmental organizations to improve the tie of stakeholders

in export sectors, national ministries and agencies, and therefore, to expand the production and export trade of non-mining products.

Two. Goal and Objectives of the Program

2.1 The goal of the program is to take phased steps to assure a favorable environment for Mongolia's non-mineral goods production, and their export legislations, investment, and stabilization of financial and tax setting, to support value-added goods export, to increase export goods competitive capability, to facilitate trade and to expand export market scope.

2.2 To achieve the above stipulated goal, the following objectives of this program are proposed and to be implemented. These include as follows:

2.2.1. To create a favorable environment for Mongolia's export production and export trade legislations, investment, and financial and tax setting.

2.2.2. To diversify export of non-mineral products, to support exports of high value-added products that meet international requirements, and to increase competitiveness of export products,

2.2.3. To facilitate trade and expand the export market, and obtain an access to new markets.

Three. Phases and activities of the program

The program will be implemented in two phases in five years in 2018-2022:

First or near-term phase (2018-2020): To create a stable environment for export goods production, and export trade legal, investment, financial and tax setting, and to diversify export of non-mining products, and facilitate export trade.

Second or medium term phase (2021-2022): To increase an export of high-value goods, which meet international standard requirements, to extend scope of export markets and to access new markets.

3.1. Within the scope of the objectives of creating a favorable environment for export goods production and export trade legislations, and constructive investment, financial and taxation setting:

3.1.1. To promote to tie foreign trade activities of organizations, in particular ministries and agencies that are involved in export, and to develop and adopt a comprehensive industrial-trade-investment oriented policy named "State Policy on Foreign Trade".

3.1.2. To propose to make relevant amendments or changes to export-supported documents, such as "Law on Competition", " Law on Customs Tariffs and Duties ", "Law on Investment", "Law on Agricultural and Raw Commodity Exchange", "Law on Insurance" and

3.1.3. To create new products and means for the support of development manufacture and export of export goods, and use international development financing mechanisms,

3.1.4. To involve in phased tax incentives and exemptions in the purchase of high-value added import raw materials, auxiliary materials and equipment,

3.1.5. To involve tax incentives to include the export goods income from the exporting producers.,

3.1.6. In line with the manufacture development activities funding policy, to create a legal coordination for funding sources of the export manufacture.

3.1.7. To open and operate a website on the necessary legal foreign relations documents and foreign market.

3.1.8. To provide exporters with "Export of Mongolia" manuals and information on export legal environment.

3.1.9. To develop proposals to coordinate activities of border control agencies, to eliminate its duplications and accelerate its actions.

3.1.10. To develop export credit guarantee and insurance system to protect exporters from foreign trade exporters risks.

3.1.11. To involve products such as, meat and meat products, sea buckthorn goods, honey, wool, leather products and, traditional medicine and medicinal raw materials in a test laboratory of proficiency program organized by international professional organizations.

3.1.12. Within the framework of "Intergovernmental Agreement on Continental Ports", to expand cooperation of establishing international continental ports in order to facilitate the export of Mongolian export products to the world market.

3.1.13. To improve the activities of agricultural commodities in accordance with international standards to provide export producers with quality raw materials and to support with a value added products,

3.1.14. To establish and maintain a one-stop foreign trade service,

3.1.15. To do a research and to create a legal environment on the introduction of e-commerce of export products,

3.1.16. To award particular export products, and to create a special day for exporters.

3.2. Within the framework of objectives to diversify export of non-mining products, to increase an export of value-added products which meet international standard, and thus, to increase competitiveness of export products:

3.2.1. To conduct a research on a new export potential field to access international market and on value-added products,

3.2.2. To take steps to create new brands of value-added export products,

3.2.3. To intensify implementation of the Agreements on Economic Partnership, to increase the diversity of goods exported to Japan, to study Japanese requirements for imported goods, and to implement joint programs in those fields,

3.2.4. To bring analytic and sample laboratories' capability for export-oriented products, such as wool, cashmere, and food products and traditional medicine in Mongolia to the international level, to establish new laboratories in these fields, and to give a support at all levels to grant a certification to these laboratories,

3.2.5. To create, register and promote national brands with quality certification, environmentally friendly, competitive and geographically positioned at foreign markets,

3.2.6. To bring meat and meat products, as well as sea buckthorn, honey, wool, cashmere and leather goods, and traditional medicine and pharmaceutical raw materials up to the European and international standards,

3.2.7. To develop and implement a plan for arranging training and workshops for exporters,

3.2.8 To boost training of Mongolian students in technology and design specialization in wool, cashmere and leather production in Italian, Japanese and other leading nations,

3.2.9 To take steps to increase nationally-featured tourist artifacts and to diversify Mongolia's tourism services in order to promote Mongolia at international level.,

3.3. Within the framework of facilitation of export trade, expansion of the export market and access to new markets:

3.3.1. To use facilitation privileges under the WTO "Trade Facilitation Agreement", and to promote the agreement and to organize the training,

3.3.2.To work on reducing trade partners' foreign trade non-tariff barriers within WTO "Agreement on Technical Barriers to Trade",

3.3.3. To organize international exhibitions, expo and business forums in Russia, China, European Union nations, Japan, South Korea, the US, India and Turkey with effective participation of Mongolia's producers and exporters, and to provide a credible support for transportation and promotion of goods,

3.3.4. In order to increase Mongolia's export level, to conduct studies and research on an opportunity of establishing of Free Trade Agreement related to Eurasia Economics and its advantages, disadvantages and benefits,

3.3.5. Within framework of the "Mongolia-Russia-China Economic Corridor Program", to regulate the facilitation of Mongolia's freight transit transportation through territories of Russia and China,

3.3.6. To intensify access to EU, US, Canada and Russia markets, and to conduct research on their market and consumers' demands and needs,

3.3.7. To study and introduce the experience of the one-stop foreign trade e-services in EU countries,

3.3.8. To study the issue of closing the Mongolian-Russian-Chinese standards for agricultural products and to expand cooperation among standard organizations of these countries,

3.3.9. To work for recognition of export goods' assessment results in bilateral and multilateral agreements with trade partner countries,

3.3.10. To develop a proposal of establishing an exemplary center in Berlin for promotion of Mongolian investment, business environment and commodities to the European public and business sectors, 3.3.11. To direct activities of Mongolia's embassies and diplomatic and trade missions in foreign countries to promote export of goods and to provide a support to economic entities,

3.3.12. To coordinate activities of international development organizations operational in Mongolia and to incorporate export projects and programs in their implementation projects and activities and to insure the implementation.

Four. The program outcomes, outputs and criteria

The program will reach the following outcomes.

4.1.1. It shall insure a favorable legal, investment, financial and tax environment for export production and export trade. a.

4.1.2. It shall insure establishing export and trade networks, and having an increase of size of the national brand products in the world market.

4.1.3. It shall insure establishing a one-stop provision of obtaining information on Mongolian export products and manufacturers in EU and other nations.

4.1.4. It shall insure an increase of Mongolia's status at international level through export products.

4.1.5. It shall insure an increase of composition of export goods and changes in export structure.

4.1.6. It shall insure a double increase of agricultural product export in 2022 out of total agricultural products compared to the 2017 level.

4.1.7. It shall insure establishing a condition for an introduction of appropriate standards, introduction of advanced technologies and innovations, and production of final outputs that are competitive in the world market.

4.1.8. It shall insure the creation of the "Mongolian King structure" and "Organic Food" positioned and of being promoted in foreign markets.

4.1.9. It shall insure an increase of domestic monetary accumulation and currency reserves through the export earnings.

4.1.10. It shall insure reduction by 20 percent respectively of the World Bank "Doing Business" export application time and expenditures.

Five. An amount of funds required for implementation of the activities of program and sources of funding

The following sources of the program financing are constituted.

- National (state) budget,
- Development bank,
- Development partners organizations' loans and assistance
- Private Sector Investment
- Other sources

Six. Plan for Implementation, monitoring and assessment of the program

6.1 In accordance with "Mongolia's Export Program" of the Government Decree 249 of 2016 and "General Rules for Development of Policy Paper", it shall be implemented and the program completion should be monitored and assessed by the adopted plan.

6.2 The State administration organization in charge of foreign affairs should conduct an yearly monitoring and assessment of implementation on the national program and, if necessary, conduct external reviews, and submit the report to the Government.

6.3 To implement activities related to evaluation and assessment results and recommendations in accordance with Article 60.2 of the "Growth Policy Development General Procedures".

6.4 To Monitor and evaluate the following program criterions:

№	Criteria	Unit	Base level, year	Level of objectives, year	Sources of information	Organizations in charge of
			2017	2022		
1.	Percent of export of agricultural products in the total export of Mongolia	percent	8,1	16,2	Economic research, think tank ""Analysis on Mongolia's circumstances on export support policy-2018"	Ministry for Food and Agriculture, Ministry of Foreign Relations and Customs General Office
3.	Export income from light, food and agricultural sectors	Million US dollars	610,5	915,75	Economic research, Research organizations' "Analysis on Mongolia's circumstances on export support policy-2018"-	Ministry for Food and Agriculture, Foreign Relations Ministry and Customs General Office
4.	World Bank Report "Business Management" on export constitution timeline	Hour	168	134	World Bank Report "Business Management-2018"	Ministry of Finance and Customs General Office
5.	The cost of World Bank Report "Business Management" on export constitution	US dollars	191	153	World Bank Report "Business Management-2018"	Ministry of Finance and Customs General Office

6.	To conclude agreements to reduce tariff and tariff barriers with trade partner countries	too	1	2	Action Program of the Government for 2016-2020	Ministry of Foreign Relations
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