



*Economic Policy Reform and
Competitiveness Project*

FRAMEWORK AND ACTION PLAN FOR TRADE NEGOTIATIONS SUPPORT UNIT

February 2005
Ulaanbaatar, Mongolia

Project:	Mongolia Economic Policy Reform and Competitiveness Project (EPRC)
Title:	Framework and Action Plan for Trade Negotiations Support Unit
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Classification:	Short-term consultancy report
Contract No.	438-C-00-03-00021-00
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ABBREVIATIONS AND ACRONYMS

MoIC	Ministry of Industry and Commerce
GoM	Government of Mongolia
TIFA	Trade and Investment Framework Agreement
WTO	World Trade Organization
GTZ	German Technical Cooperation
ADB	Asian Development Bank
TOR	Terms of Reference
USAID	United States Agency for International Development
EPRC	Economic Policy Reform and Competitiveness project
USG	United States Government
GATT	General Agreement on Tariff and Trade
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations

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SECTION I: INTRODUCTION

Background, purpose and objectives

The Government of Mongolia (GoM) has requested assistance from EPRC to develop its trade negotiations participation, compliance and implementation capacity. On August 1, 2004 WTO members approved a package that covers “modalities” for agriculture, and market access for non-agricultural products, recommendations on the services negotiations, and “modalities” for negotiations on trade facilitation for the Doha Round. The package called for members to submit offers over the next year. The Doha Round offers the first opportunity for new members of the WTO, such as Mongolia which joined in 1997, to participate in such negotiations. The next WTO Ministerial Conference is scheduled for December 2005 in Hong Kong.

China committed itself to trade liberalization as part of its accession to the WTO and Russia is expected to commit to trade liberalization as it seeks accession to the WTO. Mongolia needs to monitor closely China’s current compliance with its WTO obligations and Russia's ongoing accession negotiations. In November 2004, Asia-Pacific Economic Cooperation (APEC)¹ launched an initiative for Trade and Investment Liberalization and Trade Facilitation, and the Association of Southeast Nations (ASEAN)² agreed to eliminate duties on 11 sectors by 2007 in some ASEAN countries. Although Mongolia is not currently a member of Regional Trade Agreements or bilateral Free Trade Agreements it has expressed interest in them and needs to keep close track of current discussions on trade agreements and be able to participate in them when it is desirable and possible.

Regardless of the specific timing for these various negotiations and discussions, the GoM and the MoIC need to make preparations for them. Specifically, the GoM needs to define its organizational and management structure for the conduct of negotiations, appoint negotiators and technical/professional staff to assist negotiators through the preparation of background technical papers and assessments on the major themes of negotiations and, above all, quantify resource requirements and identify sources of funds to support what is likely to be at least a two-year effort. The seriousness with which the GoM currently takes its trade negotiations was indicated by their preparedness for the first meeting of the U.S.–Mongolian Trade and Investment Framework Agreement (TIFA) Joint Council held in Ulaanbaatar on January 17, 2005. It also highlighted their need for additional resources in the trade negotiations area (Ulaanbaatar 000062 - Annex B).

The purpose of this short-term consultancy was to work with other interested donors, particularly the German Technical Cooperation agency (GTZ) and the Ministry of Industry and Commerce (MoIC) and the Government of Mongolia (GoM) to prepare a trade negotiations support unit project proposal.

¹ With headquarters in Singapore, APEC members include the twenty-one economies of Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, China, Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, Philippines, The Russian Federation, Singapore, Chinese Taipei, Thailand, United States of America, and Vietnam.

² With headquarters in Jakarta, Indonesia, ASEAN member countries include: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

SECTION II: MAJOR ACCOMPLISHMENTS AND ANALYSIS

The consultancy began by discussions with the newly appointed Director of the Trade and Economic Cooperation Policy Coordination Department at the MoIC, Mr. V. Enkhbold, who had approved the terms of reference for the consultancy and a Senior Officer in the Department, Ms. B. Zoltuya. Mr. V. Enkhbold had previously served in the Department, but his most recent assignment was with the Mongolian Mission in Geneva where he covered WTO related issues among other matters. He said that his Department had many ongoing responsibilities in the trade negotiations area, lacked sufficient resources to handle them all and would appreciate assistance in both the short and long term.

Mr. Enkhbold noted that they were engaged in several multilateral, regional and bilateral trade negotiations. He thought that not only did they need assistance in the subjects areas covered by the various WTO agreements, particularly those at issue in the Doha Round; Agriculture, Goods, Services and Trade Facilitation, but also on specific regions as well. He mentioned Russia, China, as well as APEC, ASEAN, the U.S. and the E.U. He expressed interest in the creation of a trade negotiations support unit. We told Enkhbold that we were working on a draft project proposal for the unit with other donors, particularly the German Technical Cooperation agency (GTZ), which we hoped would incorporate his needs and priorities. A meeting to review the progress on the project proposal was set up for later in the month.

Enkhbold also asked whether in the interim it might be possible to have some assistance concerning their negotiations on Russia's Accession to the WTO and China's compliance with its WTO obligations especially concerning those that came into effect in December 2004 with regard to national treatment on rail shipping lines rates and foreign investment in transit and distribution services. We subsequently met with Mr. Enkhbold, Ms. R. Oyun, the Department's officer in charge for Russia, and Ms. D. Nyamaa, the Department's officer in charge for China. After listening to their concerns, we provided them some background information on several of the subjects covered by the negotiations and suggested areas for further investigation by the Department. This also provided us with an opportunity to access the strengths and weaknesses of the Department in these critical negotiations.

We then met with the Country Director of GTZ in Mongolia, Dr. Thomas Labahn and the recently arrived Project Coordinator of the GTZ "Export-oriented Industrial and Trade Policy" project, Dr. Albert Gierend. The Export-oriented Industrial and Trade Policy Project, which started in January 2005, is part of Mongolian-German development cooperation on economic development assistance agreed between the two governments. The overall objective of the project is to improve access of Mongolian companies to foreign markets. Major areas of interventions of the project are assistance in formulating sector-specific and product-specific export strategies, in improving the coherence of industrial and trade policies, assistance in improving overall regulatory and institutional framework conditions for export-oriented companies as well as in conducting a regular public-private policy dialog on export-related matters.

Capacity development and advisory services to develop trade negotiations participation, compliance and implementation capacity related to multilateral and bilateral trade agreements form an integral part of the assistance provided. The project builds on experiences and lessons learnt in a previous project that started in 1999 and provided assistance on the implementation of the commitments Mongolia agreed to in its Protocol of Accession to the WTO.

As with the current project, though on a more specific, i.e. WTO-related scale, the key areas of intervention were direct technical advice (including studies) in economic and trade policy reform, trade capacity building and assistance in legal and organizational development.

It had been agreed in December that the next step in terms of assisting Mongolia in trade participation, implementation and compliance was for USAID/EPRC to work together with GTZ on developing a more concrete proposal. It was noted that almost all potential donors have long standing worldwide prohibitions against paying civil servants and/or their host country counterparts and partners. However, some of these donors can pay for long and short-term consultants who can provide expertise and advice to the Government and its various Ministries and institutions. It was agreed that the consultant working with Dr. Gierend and his predecessor, Mr. Henning Twesten, who has spent several years working in the Ministry on trade policy and other matters as part of the GTZ project, would try to develop a draft trade negotiations support unit project proposal for further review by other officials at GTZ, EPRC, USAID, the MoIC and possible other donors.

Dr. Gierend and the consultant then met with Ms. Nergui Dorj, Economics Officer at the Asian Development Bank who had participated in the meeting with the donors in November and December on the trade negotiations support unit project. The Country Director and Resident Representative of the Asian Development Bank, Barry Hitchcock had expressed interest then in the possible project, perhaps in terms of ongoing work the bank was undertaking in Central Asia. Ms. Nergui had followed up in the interim to begin investigating the question of possible alternative legal structures and status for the support unit and its staff with lawyers at the Parliament and the Ministry of Justice. She said that there appeared to be different rules governing short-term and long-term employment relationships. She said that she would be pleased to arrange a meeting with these officials to review this issue at the appropriate time.

The consultant also met at the direction of Ms. B. Zoltuya with Ms. Nyamaa at the Ministry, concerning the trade negotiations support project. When asked what the MoIC considered the country's trade negotiating priorities she provided copies of the recently released Government of Mongolia's report for the WTO Trade Policy Review and the Government's draft document Trade and Development Concept to 2015.

Using the draft paper on Trade Negotiations Participation, Implementation and Compliance Support produced in December and the input provided by Enkhbold, his staff, the Government of Mongolia's report for the WTO Trade Policy Review and the Government's draft document Trade and Development Concept to 2015, the GTZ and the ADB, we wrote a 10 page draft Mongolian Trade Negotiations Support Unit project proposal (Annex C), with 14 attachments and two appendix (Annex D and Annex E). We also produced draft position descriptions for the International Trade Specialists for the unit (Annex F) and a draft of a list of possible studies to commission for trade negotiations (Annex G). The draft proposals and other documents provided more detailed information in selected areas.

We also worked briefly with Mr. Enkhbold and his staff in four areas: Russian WTO Accession, China WTO compliance, Free Trade Agreements, Trade Facilitation and Land Locked Developing Countries. Review by and additional discussions with other donors, especially GTZ and the Mongolian Government concerning setting priorities of trade negotiation and the status and structure of the unit and its staff will be necessary before proceeding further.

Hard copies and electronic versions of these documents were provided to GTZ for Henning Twesten for his arrival. The consultant then met with Mr. Twesten, Dr. Gierend, and the project manager for the GTZ “export-oriented industrial and trade policy” project, Ms. L. Hulan. There was general agreement on the need for and the concept of the unit and many of its components. Twesten said that it correlated very closely with his thinking and the views expressed to him by several senior MoIC officials on this subject. Twesten said he would review the project proposal carefully and provide written and oral comments in a week. His comments, changes and suggestions have been incorporated into the documents.

SECTION III: RECOMMENDATIONS

Further consultations with Mr. Enkhbold and perhaps other GoM officials and donors will be needed to review the project proposal.

A revised proposal could then be submitted to interested donors for comments and possible funding. We would expect that the GoM will contribute to the project and, optimistically, have on hand concept or a project proposal that the Minister of Industry and Trade could possibly announce in conjunction with Mongolia's first WTO Trade Policy Review which takes place the week of March 15 -17 in Geneva.

ANNEX A: TERMS OF REFERENCE FOR THE SHORT-TERM ASSIGNMENT

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Background and justification for the assignment

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China committed itself to trade liberalization as part of its accession to the WTO and Russia is expected to commit to trade liberalization as it seeks accession to the WTO. Mongolia needs to monitor closely China's current compliance with its WTO obligations and Russia's ongoing accession negotiations. In November 2004, Asia-Pacific Economic Cooperation (APEC)³ launched an initiative for Trade and Investment Liberalization and Trade Facilitation, and the Association of Southeast Nations (ASEAN)⁴ agreed to eliminate duties on 11 sectors by 2007 in some ASEAN countries. Although Mongolia is not currently a member of Regional Trade Agreements or bilateral Free Trade Agreements it has expressed interest in them and needs to keep close track of current discussions on trade agreements in and be able to participate in them when it is desirable and possible.

Regardless of the specific timing for these various negotiations and discussions, the GoM, and the MoIC, needs to make preparations for them. Specifically, the GoM needs to define its organizational and management structure for the conduct of negotiations, appoint negotiators and technical/professional staff to assist negotiators through the preparation of background technical papers and assessments on the major themes of negotiations and, above all, quantify resource requirements and identify sources of funds to support what is likely to be at least a two-year effort.

Purpose and objectives of the consultancy

The purpose of the short-term consultancy is to assist MoIC and the GoM prepare an overall framework and plan of action to develop its trade negotiations participation, compliance and implementation capacity.

Indicative activities of the consultancy

Indicative activities of the consultancy include, but are not limited to the following:

1. Starting from the review already undertaken of the current organizational structure of MoIC and its suitability to the conduct of overall trade negotiations, examine alternative organizational and functional structures that have been proposed with MoIC and relevant GoM officials.
2. Working with MoIC officials' assistance, establish priorities for needed assessments concerning the major subjects currently being negotiated: agriculture, non-agricultural goods, services, trade facilitation, as well as regional trade agreements, economic analysis and legal issues, and develop a tentative time line for the conduct of such technical reports
3. Beginning from the budget already prepared with MoIC officials' assistance, identify suitable

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contracting mechanisms to attract and retain competent, qualified staff to serve as core negotiators and professional staff and develop a more detailed two-year budget for staff salaries, funding of technical assessments, travel, consultation workshops with relevant segments of civil society, etc.

4. Based on previous extensive discussions and consultations held with bilateral and multilateral donors in Ulaanbaatar during the previous assignment, work closely with GTZ and the Asian Development Bank to develop a proposal to help create a trade negotiations participation, compliance and implementation unit.
5. Continuation of a process of meetings and consultations with MoIC and relevant GoM officials, and trade specialists to validate successive iterations of the proposed organizational structure for negotiations and priority technical areas for negotiations.
6. Preparation of draft final report and submission to MoIC and EPRC.
7. Presentations of major findings and recommendations to MoIC, Cabinet, relevant commissions of Parliament, bilateral and multilateral agencies, USAID, and EPRC.

Deliverables

The expected product of the consultancy shall be a framework discussed and proposed to GoM and MoIC officials and relevant sectors of Mongolian civil society for Mongolia's conduct of international trade negotiations and discussions. Such framework will include, *inter alia*, the following:

1. A project proposal which will include an organizational and management structure for Mongolia to conduct such negotiations, including position descriptions, responsibilities and desired qualifications. The organizational structure shall include roles and positions such as chief negotiator, negotiators responsible for each of the themes of negotiations, a public communications office in charge of coordinating with relevant segments of civil society, a small core of highly competent professionals to support the negotiators, and a mechanism to define, commission, and fund relevant technical analyses on a short-term basis as required by the negotiators. The proposal shall also include objectives by component and expected results by quarter of implementation.
2. A specific plan to upgrade the information technology available to Mongolia's trade negotiators and specialists.
3. A preliminary priority list of technical analyses and their schedule required by the themes of negotiations to serve as background for Mongolian negotiators. Examples of potential analyses include sanitary requirements for potential Mongolian meat exports, regulatory framework and current practices in selected sectors such as banking, telecommunications, energy, and others.
4. Preliminary plan for trade negotiations participation, compliance and implementation capacity building for Mongolian negotiators and professional staff. Such plan will identify priority technical areas where technical skills require upgrading as well general negotiating skills that need sharpening.
5. A more detailed budget of amount and sources of funds required for hiring and retaining for at least 24 months and outside of the constraints of Mongolian civil service, a competent small core of negotiators, a small professional support team to assist the negotiators and define the technical analyses required as well as a small fund to commission the requisite assessments and analyses.

The deliverable shall be in printed and electronic form and in a format acceptable to MoIC and EPRC: Microsoft Office applications software for electronic versions and EPRC/Chemonics report format for the printed versions. EPRC will supply in-country translation, interpretation services, and transportation logistics for the assignment.

Duration and schedule of the assignment (LOE)

Expected duration of the consultancy in Ulaanbaatar, Mongolia is not to exceed 34 work days, including international travel. It is anticipated that the assignment will begin on or about 28 January 2005.

Place(s) of work

The assignment will take place in Ulaanbaatar, Mongolia. Travel outside of Ulaanbaatar may be required but it is not expected.

Supervision and coordination of assignment

The consultant will work under the technical supervision of EPRC's Chief of Party, Fernando Bertoli, but will work closely with MoIC and GoM officials, and other EPRC team members.

Technical area of expertise and experience requirements for the consultancy

The consultant will have demonstrable successful experience in advising on, or preferably the conduct of, trade negotiations. Practical experience as a negotiator, professional staff member of a negotiating team, or manager of such teams is highly desirable. Proven track record of successful operations within a government agency or international organization dealing with trade issues and sensitivity to working with other agencies is required. Sharp analytical skills, knowledge of international trade issues, and excellent communication skills, both verbal and written, are also required.

Budget CLIN

The cost of the assignment falls under CLIN 001 – Policy analysis, formulation and implementation. Funds are available within the contract to perform the assignment and its funding will not increase the overall cost of the contract.

ANNEX B: JANUARY 17 TIFA JOINT COUNCIL MEETION IN ULAANBAATAR

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Summary

1. The first meeting of the U -S.-Mongolian Trade and Investment Framework Agreement (TIFA) Joint Council was held in Ulaanbaatar on January 17. The TIFA had been signed in Washington in July 2004. On multilateral topics, Mongolian Minister for Industry and Trade S. Batbold and Assistant USTR Charles Freeman agreed to further cooperation on WTO issues (particularly preparations for the December 2005 Ministerial in Hong Kong) and Mongolia's bilateral trade relations with China and Russia (the next round of Mongolian talks with Russia on Russia's WTO accession will be in March). The most important trade issue for landlocked Mongolia with both Russia and China is the high cost of transportation of goods by rail to and from sea ports. Batbold also asked for U.S. help in reaching Mongolia's goal of APEC membership by 2006, with participation in APEC working groups in the meantime.

2. On bilateral trade and investment, Freeman and Batbold agreed that the U.S. and Mongolian governments will work together on: transparency in Mongolian government decision making; identifying priorities for improvements in Mongolia's protection of intellectual property/ and ways to work with Mongolia to improve its competitive position for foreign direct investment- Both sides will consider whether there is a possibility for U.S. assistance in the area of sanitary and phytosanitary standards (SPS). Freeman urged the Mongolians to consider privatizing its energy and transportation sectors and to improve the predictability of customs procedures. The Mongolians asked the United States to consider creating a roadmap towards a bilateral free trade agreement; preferential treatment for Mongolian apparel and textile exports to the United States and on creation of a Qualified Industrial Zone in Mongolia similar to those the United States has agreed with Jordan. End summary.

The first Joint Council Meeting

3. The U.S.-Mongolian Trade and Investment Framework Agreement (TTFA) was signed in Washington on July 15, 2004. The TIFA establishes a Joint Council which is to meet at least once a year to consider means to reduce obstacles to bilateral trade and investment. The first Joint Council meeting was held in Ulaanbaatar on January 17, 2005. The U.S. delegation included Ambassador Slutz, Assistant USTR Charles Freeman, Senior Director (USTR) Scott Ki , Director for China Economic Area (USDOC) Cheryl McQueen, Special Counsel to the Secretary of Commerce (for China) Bruce Blakenian, Senior Agricultural Attache Ralph Gifford (FAS/Beijing) and Area Director Eloisa Jones (USDA/APHIS/Beijing). The Mongolian delegation was led by Minister of Industry and Trade (MIT) Batbold and included, among others: Ministry of Foreign Affairs State Secretary Altangerel, MFA America/Middle East/Africa Department Director Odonjil, MIT Director for Economic Cooperation Policy and Coordination Enkhbold, and MIT Director for Policy Development and Strategic Planning D. Zorigt. A sign of the importance of the TIFA to Mongolia was the large size of the Mongolian delegation, 23 strong, representing a full range of ministries and offices including customs, taxation, standards, intellectual property, and the central bank.

The Mongolia Presentation

4. Minister Batbold gave a generally upbeat presentation, on the state of Mongolia's economy: high growth in 2004 (he claimed 10 percent, a figure the international *community in* Ulaanbaatar questions) and a falling budget deficit (2 percent). Inflation has risen to 11 percent, but Batbold said that mostly is due to a steep rise in international oil prices. Batbold emphasized the importance of Mongolia's geographic location, sandwiched between Russia and China and close to North Korea.

5. The main points raised by the Mongolian government included: the importance of achieving a Free Trade Agreement with the U.S., "which' would be good for stability and democracy in Mongolia",

- Mongolia's desire for a bilateral double taxation agreement with the U.S., which would encourage investment;

- willingness to work with the U.S. within the WTO. "We support a liberal global trading regime." Batbold pointed out that Mongolia is the only WTO member that does not belong to a regional grouping;

Mongolia's requests for "maximum GSP benefits" from the United States, particularly for apparel. The end of the Multi-Fiber Agreement is having a severe impact on Mongolia's apparel industry. Mongolia would like to have the same benefits the U.S. extends to sub-Sahara Africa and Caribbean countries;

- Mongolia's proposal for the creation of a "Qualified Industrial Zone" agreement similar to the one the U.S. has with Jordan, to produce, among other things, apparel for the U.S. market; and, Mongolia's goal of joining APEC by 2003 and request for U.S. support for participation in APEC working groups in the meantime.

6. In regard to issues involving third countries, the Mongolians noted that:

the next round of talks regarding Russia's WTO accession will take place in March (AUSTR Freeman suggested, and Batbold agreed, that U.S. and Mongolian trade negotiators should consult before that meeting);

Mongolia's "most important trade issue" is high cost (China) and bureaucratic delays, special fees and pilfering (Russia) in its rail links with ports. Bilateral transport talks with Russia and China, conducted since 1995, still have not resulted in the framework agreements Mongolia desires. They would appreciate U.S. Assistance.

A potential export opportunity for Mongolia is meat, canned meat, and horseflesh to Korea and South East Asia but non-tariff barriers are an obstacle. Mongolia would appreciate U.S. assistance with improving its sanitary and phytosanitary standards (SPS).

The USG Presentation

7. AUSTR Freeman stated that the "three pillars" of U.S. general trade objectives are market access, non-discrimination and transparency in decision making. He emphasized that FTAs are not ends in themselves but rather are steps towards reaching a global liberal trading regime. The same is true of special preferences. They are not permanent "entitlements" but only temporary measures pending generalized trade liberalization.

8. The main points made by Freeman included:

The American, business community's concern about the lack of transparency in Mongolia's decision-making and persistent corruption in the bureaucracy and judiciary. The process by which regulation and even legislation is developed and implemented is opaque.

Mongolia also suffers from the lack of a predictable import regime. Although duties generally are low, import procedures appear arbitrary.

The United States is willing to consider assisting Mongolia on increasing its competitive position for foreign direct investment, including such items as being listed as a market, economy within the scope of U.S. antidumping laws.

Mongolia has an excellent opportunity to differentiate itself from other markets, if it would implement strong protection for intellectual property rights;

The Mongolia economy would benefit from further-privatization, particularly in the key energy, telecommunications, and civil aviation sectors;

Mongolia should focus on identifying its "value added products for export (e.g., cashmere and yak fibers). The U.S. is prepared to help Mongolia develop these "niche" products and markets.

Areas for Cooperation

9. At the end of the meeting, Freeman and Batbold noted the areas they had identified for further cooperation:

Determine the current status of Mongolia's application for market economy status;

Consult on the Mongolian government's objective of increasing transparency in decision making and combating corruption;

Prioritize steps Mongolia could take to toughen its intellectual property regime;

Consider whether U.S. assistance would be available in the areas of customs and standards-including in regard to Mongolia's participation in international standards setting bodies -and possibly in the SPS area.

Hold consultations in advance of the March talks on Russian WTO accession and in preparation for the December: WTO Hong Kong Ministerial.

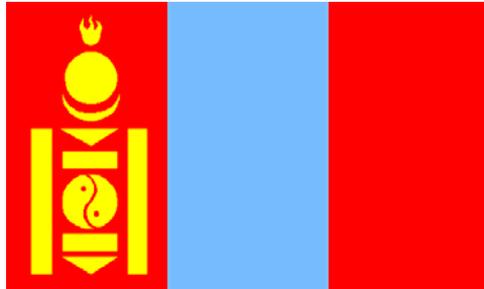
Keep in touch regarding Mongolia's efforts to obtain more reasonable access to sea ports in China and Russia. It is a U.S. interest to ensure that China is upholding its WTO commitments.

Comment

10. The Mongolians took the first:

Joint Council meeting seriously Their presentations were well prepared and they were more than ready to engage on every issue-even avoiding defensiveness on transparency, corruption, import procedures and intellectual property protection all areas in which they cited progress while acknowledging shortcomings. They emphasized their willingness to support U.S. Positions in the upcoming WTO talks. What the Mongolians lack is bureaucratic capacity, particularly in the trade area, they have few experienced trade officials and even fewer trade lawyers. U.S. Assistance in this area might pay dividends.

**ANNEX C: DRAFT MONGOLIAN TRADE NEGOTIATIONS SUPPORT UNIT PROJECT
PROPOSAL**



**DRAFT
MONGOLIAN
TRADE NEGOTIATIONS
SUPPORT UNIT
PROJECT PROPOSAL**

February 2005

*“Trade and investment are powerful engines that drive economic growth and reduce poverty. By trading with other countries and attracting foreign investment, countries can take advantage of global market forces--competition, human resource development, technology transfer, and technological innovation which generate growth... Before developing countries can increase their levels of trade and investment, they must negotiate trade agreements and comply with and implement these agreements. They must also position their economies to be able to benefit from the new trade agreements and become competitive in the world market place “.*⁵

Introduction

Integration into the global economy can be a powerful force for economic growth and poverty reduction. Recognizing this, the Mongolian Government in its Economic Growth Support and Poverty Reduction Strategy Paper (PRSP) published in July 2003 stated “The Government will actively participate in activities of the WTO, particularly protecting the interests of Mongolia by exercising various preferential treatments for agricultural products and services sectors.” It also said it would pay close attention “to the implementation of the Doha agreement. “

Mongolia, like many other countries today, needs assistance to help participate in international trade agreements and implement them once completed. In part this is because trade agreements now go beyond the traditional scope of tariffs and quotas into such subjects as agricultural sanitary measures, services, trade facilitation, investment, and intellectual property. Another factor is that the amount and pace of international trade negotiations and discussions; multilaterally, regionally and bilaterally, have increased significantly. (For further information on Mongolia’s trade and trade policy see the Government’s Report for the Trade Policy Review February 2005 – Appendix 1).

The purpose of this proposed project is to strengthen the institutional and technical ability of the Government of Mongolia (GoM), particularly the Ministry of Industry and Commerce (MoIT) to conduct trade negotiations.

There are currently several multilateral, regional and bilateral trade negotiations and discussions which affect Mongolia⁶ (For additional information on the Government’s policies and priorities see the Government’s draft document Trade and Development Concept to 2015–Appendix 2). The GoM needs additional resources and expertise to follow and participate in these negotiations.

Mongolia’s Trade Negotiating Priorities

Mongolia has several multilateral, regional and bilateral trade negotiating priorities.

(For Mongolia’s Trade Negotiating Priorities and 2005, 2006 and 2007 Activities see Attachments Tab A, B, C).

Multilateral Trade Negotiations

In 1997 Mongolia joined the World Trade Organization (WTO) which is the only global organization establishing a rules-based trading system. Its foundations are the Uruguay Round Agreements. In November 2001 the members of the WTO agreed to launch the Doha Development Round aimed at further liberalizing trade. On August 1, 2004 WTO members approved a package of framework and other agreements that covers “modalities” for agriculture, “modalities” in market access for non-agricultural products, recommendations on the services negotiations and “modalities” for negotiations on trade facilitation for the Doha Round.. The package called for members to submit initial and revised offers at various times over the next year. The Doha Round offers a chance for new members

¹ USAID report *USAID’s Strategy Building Trade Capacity in the Developing World*

⁶ Government of Mongolia’s draft document *Trade and Development Concept to 2015*

of the WTO, such as Mongolia, their first opportunity to explain their interests and to participate in such negotiations. The next WTO Ministerial Conference is scheduled for December 2005 in Hong Kong.

The WTO agreements are also important to Mongolia's bilateral trade relations. Russia is in the process of seeking accession to the WTO and will also have to commit to trade liberalization in a broad range of subjects. As part of this Mongolia has made a request to Russia for a substantial reduction in import tariffs on commodities of importance and reduction of non-tariff barriers. A Working Party Meeting on Russia accession is taking place at the WTO in Geneva in February. The Russians are currently also holding a series of bilateral market access talks with a number of trading partners, including Mongolia. Russia has indicated that it would like to finish these negotiations shortly and become a member of the WTO soon, indicated by the time of the Hong Kong WTO Ministerial.

Through its accession to the WTO in 2001, China committed itself to systematic trade liberalization during its transitional period. With China is its major export market, Mongolia needs to monitor China's compliance with its WTO obligations in areas of current or potential interest to it, especially concerning those that came into effect in December 2004 with regard to national treatment on rail shipping lines rates and foreign investment in transit and distribution services, and act accordingly.

Regional trade negotiations

Although Mongolia does not currently belong to APEC, ASEAN or any other regional trade organization, it needs to keep close track of current discussions on trade agreements in these organizations and participate in them when it is desirable and possible.

On November 21, 2004 the members of APEC agreed to launch an initiative for expanded trade which has two components; Trade and Investment Liberalization and Trade Facilitation. Mongolia would like to participate in APEC working groups in the near future if possible and to have full membership in 2008.

On November 30 ASEAN Leaders agreed to accelerate the integration of 11 priority sectors. Import duties for products under the priority sectors will be fully eliminated by 2007 in some ASEAN countries and by 2012 in others. Mongolia would like to participate in ASEAN to the degree it can when it is possible.

Bilateral trade negotiations

Mongolia is interested in an FTA with the United States. The first Mongolia-U.S. Trade and Investment Framework Agreement Council Meeting were held in January 2005 in Ulaanbaatar.

Mongolia may wish to pursue Mongolia-China, Mongolia-Russia, Mongolia-Japan, Mongolia-South Korea FTAs if they were to focus on specific areas that would advance Mongolia's national interests (e.g. import tariffs, quotas, transit, and trade facilitation issues, various charges, non-tariff barriers, FDI in priority sectors.)

Bilateral trade relations

Mongolia has trade relations with many partners. It may wish to pursue its trade objectives further through bilateral negotiations, consultations and requests with a number of these partners. This could include Mongolia-Russia, Mongolia-China, Mongolia-Japan, Mongolia-South Korea, Mongolia-U.S. Mongolia-Canada and Mongolia-EU discussions.

Present resources and the need for a *Trade Negotiations Support Unit*

The Trade and Economic Cooperation Policy Cooperation Department in the Ministry is responsible for handling multilateral, regional, and bilateral trade negotiations. The Department's bilateral division has nine and half positions, while the multilateral division has two and a half positions. (See Attachment Tab D)

Although the Department does what it can, the complexity, amount and pace of negotiations have increased significantly. The Mongolian Government needs a Trade Negotiations Support Unit to help handle the negotiations listed above.

The Government needs experts—International Trade Specialists in subjects covered by the WTO agreements, particularly during the Doha Development Round negotiations and for the upcoming WTO Ministerial. It also needs such experts to cover geographical areas, such as China and Russia to help handle negotiations and discussions on subjects like China WTO Compliance and Russian WTO Accession. Mongolia also needs such experts to follow, and where possible participate in, regional trade discussions with organizations such as APEC and ASEAN. This International Trade Specialists would develop offers, requests, and proposals for Government consideration.

Resources Needed

The *Trade Negotiations Support Unit* would need a staff of approximately 6 professionals and 3 support staff and modern facilities to accommodate sufficient office space, conference rooms and computers. Each professional and support staff member would need a PC connected in a network and to the Internet there would also need to be sufficient reference materials and documentation for each professional. Training opportunities for the members of the unit both individually and as a group would need to be provided. There should also be a mechanism for the professionals to request additional short term technical advice and reports from national and foreign experts. Support for such a unit would need to be provided for twenty four months.

Trade Negotiations Support Unit Positions

Fully staffed, the Unit would have 6 International Trade Specialists. Each specialist other than head of the unit would focus on specific functional, geographical and other areas. An illustrative division for the International Trade Specialist Positions follows below:

Functional	Geographic and Other
1. Agriculture/Goods	Russia Korea/Japan
2. Trade Facilitation	China
3. APEC/ASEAN	South East Asia/South Asia/Australia ADB
4. Services	EU/US/Canada Central Asia/ Eastern Europe
5. WTO Ministerial	Technical Assistance Studies Public Affairs Middle East/Africa/ LA WTO/UNCTAD/ITC/UNDP/IMF/WB
6. Head of the Unit	Coordinate support for multilateral, regional, bilateral negotiations

(For further specification on division of positions see Attachments Tab E, F) Support for trade negotiations would be arranged on the basis of teams drawing on the necessary functional and geographic specialists. Several teams are likely to be operating at the same time.

Head of the Unit

The head of the Trade Negotiations Support Unit would be responsible for the coordination, of the activities of the International Trade Specialists, helping to match the Unit's resources with negotiating priorities. The head would also be responsible for the management and administration of the unit, including day-to-day decisions on assignments, information technology, travel, training, and personnel matters. He would work closely with the Ministry of Industry and Trade, and other Government of Mongolia officials, as well as donors and would report to the Management Advisory Committee made up of the Minister of Industry and Trade or his representative, the heads of the donor agencies in Mongolia contributing to the project or their representatives.

Budget

The costs of the Trade Negotiation Support Unit are estimated at a little under \$ 400,000 for two years. This assumes having 6 International Trade Specialists and 3 support staff (Office Manager, Information Specialist and Translator).

The primary costs are for personnel and computerization. Other costs are for travel, reference materials, furniture and office equipment and supplies. It is expected that the government contribution would be office space and recurring utility costs. (For further specification on the budget see Attachment Tab G). (For Trade Negotiation Support Unit's 2005, 2006 and 2007 Activities see Attachments Tab H, I, and J).

Financing

The Trade Negotiation Support Unit would be supported by donors through "parallel financing", rather than through a common fund. This means that instead of donors combining their financial resources directly they will undertake coordinated activities which are separately funded. One donor could perhaps undertake the funding of some of the International Trade Specialists positions, while another could pay for computerization, while a third could possibly pay for reference material, travel or furniture costs. This can make funding and administration somewhat easier.

Local Mongolian consultants

Almost all potential donors have long standing worldwide prohibitions against paying civil servants and/or their host country counterparts and partners. However, some of these donors can pay for long and short term consultants who can provide expertise and advice to the Government and its various Ministries and institutions.

An important part of the process of strengthening the institutional and technical ability of the government of Mongolia (GoM) to conduct trade negotiations is to develop Mongolian national capacity. The Trade Negotiation Support Unit therefore proposes to fill the International Trade Specialists with Mongolian nationals. They would serve as long-term consultants (up to two years) with no further employment rights. Because of their more limited contract rights and to attract qualified candidates they would be compensated more than long-term civil servants. As Mongolian nationals, they could participate in negotiations,

Reporting relationship of Trade Negotiations Support Unit

In order to fund and staff the Trade Negotiations Support Unit with Mongolian nationals, it is necessary to have an organization outside the present Department structure of the Ministry of Industry and Trade and its civil service system. It is important, however, that the work of the Unit and its staff be coordinated with the work of the Ministry, especially the Trade and Economic Cooperation Policy Cooperation Department. One strong possibility is to have the Unit report to the Trade Policy Consultative Group, which is chaired by the Minister of Industry and Trade, and is made up of high

level representatives of other Ministries, as well. (Possible Reporting Relationship to Trade Policy Consultative Group see Tab M).

It is designed to assist in broader multilateral, regional and bilateral negotiations and policy development in general. On a day-to-day basis the Support Unit would integrate its work on trade negotiations with the Trade and Economic Cooperation Policy Cooperation Department and the Minister's Office.

(Possible Relationship of Support Unit to TECPCD and Minister's Office see Tab L.)

This would be facilitated by the linking all the staff of the Trade Negotiations Support Unit to all the staff of the Trade and Economic Cooperation Policy Cooperation Department, as well as the Minister's Office, through computerization, which is contemplated as an integral part of this project.

Transfer of knowledge and expertise

To achieve the objective of increasing the capability of the GoM, the unit must train MoIC staff members through on-the-job subject matter training.

Studies

Sometimes trade negotiations may require more detailed analysis than the International Trade Specialists have time or the expertise for. Under these circumstances, the Support Unit would be able to request studies by local or foreign consultants. These would be financed and administered independently by donors separately from the Unit itself, but the process and mechanisms to request them would be setup in advance by the donors in accordance with their own procedures. Examples of potential analyses could include current and projected Mongolian exports to Russia by HS tariff line item, reducing and removing Russia's non-tariff barriers to Mongolian products through WTO accession and China's compliance with its WTO obligations with regard to national treatment for Mongolian companies on rail shipping lines and foreign investment in transit and distribution services. (Possible List of Studies to Commission for Negotiations to TECPCD and Minister's Office see Tab M.)

Training

Training of Trade Negotiations Support Unit personnel would occur in functional areas, such as in agriculture, goods, trade facilitation, services, WTO procedures and legal process, on geographical areas and in subjects like trade and negotiations theory and practices, and in tariff analysis, depending on needs and availability. This training, sponsored by multilateral, regional and bilateral donors, could occur overseas, through long distance learning and in Mongolia itself. Where possible, such training would be open to the staff of the Trade and Economic Cooperation Policy Cooperation Department, other staff in the Ministry of Industry and Trade and staff from other Government Ministries and Agencies.

Personnel qualifications and selection

The International Trade Specialists should have education in economics, law and foreign languages with some experience in trade or international relations and negotiations. Objective criteria and a transparent decision-making process would need to be established for selection of Specialists and other members of the staff.

Outputs and results

The Trade Negotiations Support Unit should help the government make offers in Agriculture, Goods, and Services for the Doha Round and participate in the Trade Facilitation negotiations and participate in the Landlocked Developing Countries discussions. It should also help prepare appropriate positions for the Hong Kong WTO Ministerial.

The Unit should help follow up on Mongolia's request to Russia in its WTO Accession negotiations for a reduction in import tariffs and non-tariff barriers as well.

The Unit should also help follow up on China's Compliance with its WTO Accession obligations, especially concerning those that came into effect in 2004 with regard to national treatment on rail shipping lines rates and foreign investment in transit and distribution services.

The Unit should help Mongolia keep close track of current discussions on trade agreements in APEC, ASEAN or any other regional trade organization and assist with GoM's participation in them when it is desirable and possible. Likewise, the Unit should assist Mongolia in studying the possibilities of negotiating FTAs with various bilateral partners and in discussions of trade relations with various bilateral partners.

The final results of these various negotiations are beyond the control of Mongolia; however, in two years the Unit should be able to assist Mongolia make measurable progress in some of these areas. Measures to guarantee sustainability of these efforts need to be established and need to be supported by the GoM.

Management Advisory Committee

The Unit would be guided in its over all direction by a Management Advisory Committee made up of the Minister of Industry and Trade or his representative, the heads of the donor agencies in Mongolia contributing to the project or there representatives, and whatever other Government of Mongolia and donor agencies they jointly agree should sit on the Committee. The Committee shall met a least once a month to review the activities and plans of the Unit.

Attachments:

- Tab A. Mongolia's Trade Negotiating Priorities and 2005 Activities
- Tab B. Mongolia's Trade Negotiating Priorities and 2006 Activities
- Tab C. Mongolia's Trade Negotiating Priorities and 2007 Activities
- Tab D. Trade and Economic Cooperation Policy Department Staffing
- Tab E. International Trade Specialists Positions Subject Areas
- Tab F. Structure of Trade Negotiations Support Unit
- Tab G. Trade Negotiations Support Unit Budget
- Tab H. Trade Negotiations Support Unit's 2005 Activities
- Tab I. Trade Negotiations Support Unit's 2006 Activities
- Tab J. Trade Negotiations Support Unit's 2007 Activities
- Tab K. Possible Reporting Relationships
- Tab L. Possible Relationship of Support Unit to TECPCD and Minister's Office
- Tab M. Possible Reporting Relationship to Trade Policy Consultative Group

Appendix:

1. Government Report for the Trade Policy Review of Mongolia – February 2005
2. Government's draft document Trade and Development Concept to 2015.

Tab A. Mongolia's Trade Negotiating Priorities and 2005 Activities

Exhibit 1: Mongolia's Trade Negotiating Priorities and 2005 Activities					
TRADE NEGOTIATING PRIORITY	2005 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
<p>A.1. Facilitate access to markets abroad for Mongolian products and services through multilateral negotiations, regional negotiations, bilateral negotiations.</p> <p>A.1.1. Multilateral Negotiations</p> <p>A.1.1.1 Trade Policy Review of Mongolia at the World Trade Organization. Raise awareness of Mongolia as a trade and investment partner; share its experience with transition to a market economic and to raise issues confronting landlocked developing countries.</p> <p>A.1.1.2 Trade Policy Consultative Group evolves from TPR consultation and coordination mechanisms. TPCG will assist in broader WTO negotiations, regional and bilateral negotiations and policy development in general.</p> <p>A.1.1.3 Doha Round offers Mongolia a variety of ways to pursue key market access interests in agriculture, industrial goods and services sectors, as well as those related to trade facilitation and landlocked developing country issues. The GOM needs to make offers in agriculture, industrial goods and services sectors and seek better market access for Mongolia in those sectors abroad. The GOM will participate actively in the negotiations on trade facilitation to address a list of pressing trade facilitation/transit issues. The GOM will continue to play a leading role in the Landlocked Developing Countries Group and will work with other developing country groupings to ensure that key objectives are included in the</p>	Prepare GOM statement for Trade Policy Review				
	Provide Answers to Member States Questions Raised During TPR				
	Prepare for WTO Ministerial in Hong Kong in December 2005				
	Make offers in:				
	Agriculture				
	Industrial Goods				
	Services				
	Participate in Trade Facilitation Negotiations				
	Participate in Landlocked Developing Countries Group Discussions				

various negotiating agendas.					
A.1.1.4 Accessions to the WTO of Russia, Kazakhstan, Ukraine, and Byelorussia offer opportunities to pursue important bilateral and regional interests.	Participate in WTO Russia Accession Working Party Meetings				
	Hold bilateral discussions on Russian Accession with Russia and other Member States				
A.1.1.5. China Compliance with WTO Accession obligations offers opportunity to pursue important bilateral interests.	Research status of China's compliance with its WTO obligations, especially with regard				
	National treatment on rail shipping rates				
	Foreign investment in transit and distribution services				
A.1.2 Regional Negotiations					
A.1.2.1 ASEAN	Study ASEAN trade liberalization initiatives and research possibility of participation				
A.1.2.2 APEC	Study APEC trade liberalization initiatives and research possibility of participation				
A.1.2.3 Others	Study other regional trade liberalization initiatives and research possibility of participation				
A.1.3 Bilateral Negotiations					
A.1.3.1 Mongolia - U.S.					
A.1.3.2. Mongolia - China					
A1.3.3 Mongolia - Japan					
A 1.3.4 Mongolia - South Korea					
A. 1.3.5 Mongolia - Canada					
A. 1.3.6 Mongolia - European Union					
A.1.4 Bilateral Discussions					
A.1.4.1 Mongolia - Russia					
A.1.4.2 Mongolia - China					

A.1.4.3 Mongolia - Japan					
A.1.4.4 Mongolia - Republic of Korea					
A.1.4.5 Mongolia - U.S.					
A.1.4.6 Mongolia - Canada					
A.1.4.7 Mongolia - European Union					

SYMBOLS:

X = Event, benchmark, task completion

>> Indicates continuous activity

Tab B. Mongolia's Trade Negotiating Priorities and 2006 Activities

Exhibit 2: Mongolia's Trade Negotiating Priorities and 2006 Activities

TRADE NEGOTIATING PRIORITY	2006 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
<p>A.1. Facilitate access to markets abroad for Mongolian products and services through multilateral negotiations, regional negotiations, bilateral negotiations.</p> <p>A.1.1. Multilateral Negotiations</p> <p>A.1.1.3 Doha Round offers Mongolia a variety of ways to pursue key market access interests in agriculture, industrial goods and services sectors, as well as those related to trade facilitation and landlocked developing country issues. The GOM needs to make offers in agriculture, industrial goods and services sectors and seek better market access for Mongolia in those sectors abroad. The GOM will participate actively in the negotiations on trade facilitation to address a list of pressing trade facilitation/transit issues. The GOM will continue to play a leading role in the Landlocked Developing Countries Group and will work with other developing country groupings to ensure that key objectives are included in the various negotiating agendas.</p> <p>A.1.1.4 Accessions to the WTO of Kazakhstan, Ukraine, and Byelorussia offer opportunities to pursue important bilateral and regional interests.</p> <p>A.1.1.5. China Compliance with WTO Accession obligations offers opportunity to pursue important bilateral interests.</p> <p>A.1.2 Regional Negotiations</p> <p>A.1.2.1 ASEAN</p> <p>A.1.2.2 APEC</p>	<p>Make offers if necessary in:</p>				
	Agriculture				
	Industrial Goods				
	Services				
	Participate in Trade Facilitation Negotiations				
	Participate in Landlocked Developing Countries Group Discussions				
	Hold bilateral discussions on accessions with countries in process of acceding states and other Member States				
	Follow up on status of China's compliance with its WTO obligations, especially :				
	National treatment on rail shipping rates				
	Foreign investment in transit and distribution services				
Study ASEAN trade liberalization initiatives and research possibility of participation					
Study APEC trade liberalization initiatives and research possibility of participation					

A.1.2.3 other	Study other regional trade liberalization initiatives and research possibility of participation				
A.1.3 Bilateral Negotiations					
A.1.3.1 Mongolia - U.S.					
A.1.3.2. Mongolia – China					
A1.3.3 Mongolia – Japan					
A 1.3.4 Mongolia - South Korea					
A. 1.3.5 Mongolia - Canada					
A. 1.3.6 Mongolia – European Union					
A.1.4 Bilateral Discussions					
A.1.4.1 Mongolia - Russia					
A.1.4.2 Mongolia – China					
A.1.4.3 Mongolia – Japan					
A.1.4.4 Mongolia - Republic of Korea					
A.1.4.5 Mongolia - U.S.					
A.1.4.6 Mongolia – Canada					
A.1.4.7 Mongolia – European Union					

SYMBOLS:

X = Event, benchmark, task completion

>> Indicates continuous activity

Tab C. Mongolia's Trade Negotiating Priorities and 2007 Activities

Exhibit 3: Mongolia's Trade Negotiating Priorities and 2007 Activities

TRADE NEGOTIATING PRIORITY	2007 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
<p>A.1. Facilitate access to markets abroad for Mongolian products and services through multilateral negotiations, regional negotiations, bilateral negotiations.</p> <p>A.1.1. Multilateral Negotiations</p> <p>A.1.1.3 Doha Round offers Mongolia a variety of ways to pursue key market access interests in agriculture, industrial goods and services sectors, as well as those related to trade facilitation and landlocked developing country issues. The GOM needs to make offers in agriculture, industrial goods and services sectors and seek better market access for Mongolia in those sectors abroad. The GOM will participate actively in the negotiations on trade facilitation to address a list of pressing trade facilitation/transit issues. The GOM will continue to play a leading role in the Landlocked Developing Countries Group and will work with other developing country groupings to ensure that key objectives are included in the various negotiating agendas.</p>	Make offers if necessary in:				
	Agriculture				
	Industrial Goods				
	Services				
	Participate in Trade Facilitation Negotiations				
	Participate in Landlocked Developing Countries Group Discussions				
A.1.1.4 Accessions to the WTO of Kazakhstan, Ukraine, and Byelorussia offer opportunities to pursue important bilateral and regional interests.	Hold bilateral discussions on accessions with countries in process of acceding states and other Member States				
A.1.1.5. China Compliance with WTO Accession obligations offers opportunity to pursue important bilateral interests.	Follow up on status of China's compliance with its WTO obligations, especially :				
	National treatment on rail shipping rates				
	Foreign investment in transit and distribution services				

A.1.2 Regional Negotiations					
A.1.2.1 ASEAN	Study ASEAN trade liberalization initiatives and research possibility of participation				
A.1.2.2 APEC	Study APEC trade liberalization initiatives and research possibility of participation				
A.1.2.3 other	Study other regional trade liberalization initiatives and research possibility of participation				
A.1.3 Bilateral Negotiations					
A.1.3.1 Mongolia - U.S.					
A.1.3.2. Mongolia - China					
A1.3.3 Mongolia - Japan					
A 1.3.4 Mongolia - South Korea					
A. 1.3.5 Mongolia - Canada					
A. 1.3.6 Mongolia - European Union					
A.1.4 Bilateral Discussions					
A.1.4.1 Mongolia - Russia					
A.1.4.2 Mongolia - China					
A.1.4.3 Mongolia - Japan					
A.1.4.4 Mongolia - Republic of Korea					
A.1.4.5 Mongolia - U.S.					
A.1.4.6 Mongolia - Canada					
A.1.4.7 Mongolia - European Union					

SYMBOLS:

X = Event, benchmark, task completion

>> Indicates continuous activity

Tab D. Trade and Economic Cooperation Policy Department Staffing

**PERSONNEL IN TRADE AND ECONOMIC
COOPERATION POLICY DEPARTMENT HANDLING
MULTIATERAL AND BILATERAL COOPERATION**

Director, Trade and Economic Cooperation Policy Department
Deputy Director, Trade and Economic Cooperation Policy Department

Multilateral Cooperation

1. (Senior Officer) - WTO in general, trade and development, agriculture, textiles,
 - UN (UNCTAD, UNDP)
 - ITC
2. (Officer) - trade and investment, services, customs, regulations, TBT, SPS
3. (Officer) (0.5) - plurilateral agreements and North America

Bilateral Cooperation

4. (Senior Officer) - bilateral cooperation in general, Russia, Import policies
5. (Officer) - Japan, Korea, Thailand, regional cooperation
6. (Officer) - US, Canada, (WTO issues)
7. (Officer) - domestic trade
8. (Officer) - China, Inner Mongolia
9. (Officer) - UK, Italy... (Some EU countries), investment
10. (Officer) - E.U, France... Czech Republic, Hungary
11. (Officer) - Russia, former Soviet Union subjects
(Kazakhstan, Kyrgyzstan, etc)
12. (Officer) - protocol of the Ministry

Tab E. International Trade Specialists Positions Subject Areas

SUBJECT AREAS FOR TRADE NEGOTIATIONS SUPPORT UNIT POSITIONS

1. International Trade Negotiations Specialist - Position 1

Agriculture
Agreement on Agriculture
Agreement on Sanitary and Phytosanitary Measures
Agreement on Technical Barriers to Trade

Goods
General Agreement on Tariffs and Trade 1994

Russia

Korea/Japan

2. International Trade Negotiations Specialist - Position 2

Trade Facilitation
Agreement on Implementation of Article VII
Agreement on Preshipment Inspection
Agreement on Rules of Origin
Agreement on Import Licensing Provisions

China

3. International Trade Negotiations Specialist - Position 3

APEC/ASEAN

South East Asia/South Asia/ Australia

ADB

4. International Trade Negotiations Specialist - Position 4

Services
General Agreement on Trade in Services
Agreement on Trade-Related Aspects of Intellectual Property Rights

Legal
Agreement on Trade-Related Investment Measures
Agreement on Implementation of Article VI of the GATT 1994
Agreement on Subsidies and Countervailing Measures
Agreement on Safeguards
Understanding on Rules and Procedures Governing the Settlement of Disputes
Trade Policy Review Mechanism
Plurilateral Trade Agreements

EU/ US/Canada

Central Asia /Eastern Europe

5. International Trade Negotiations Specialist - Position 5

Ministerial Decisions, Declarations, and Meetings

Technical Assistance/Capacity Building

Studies

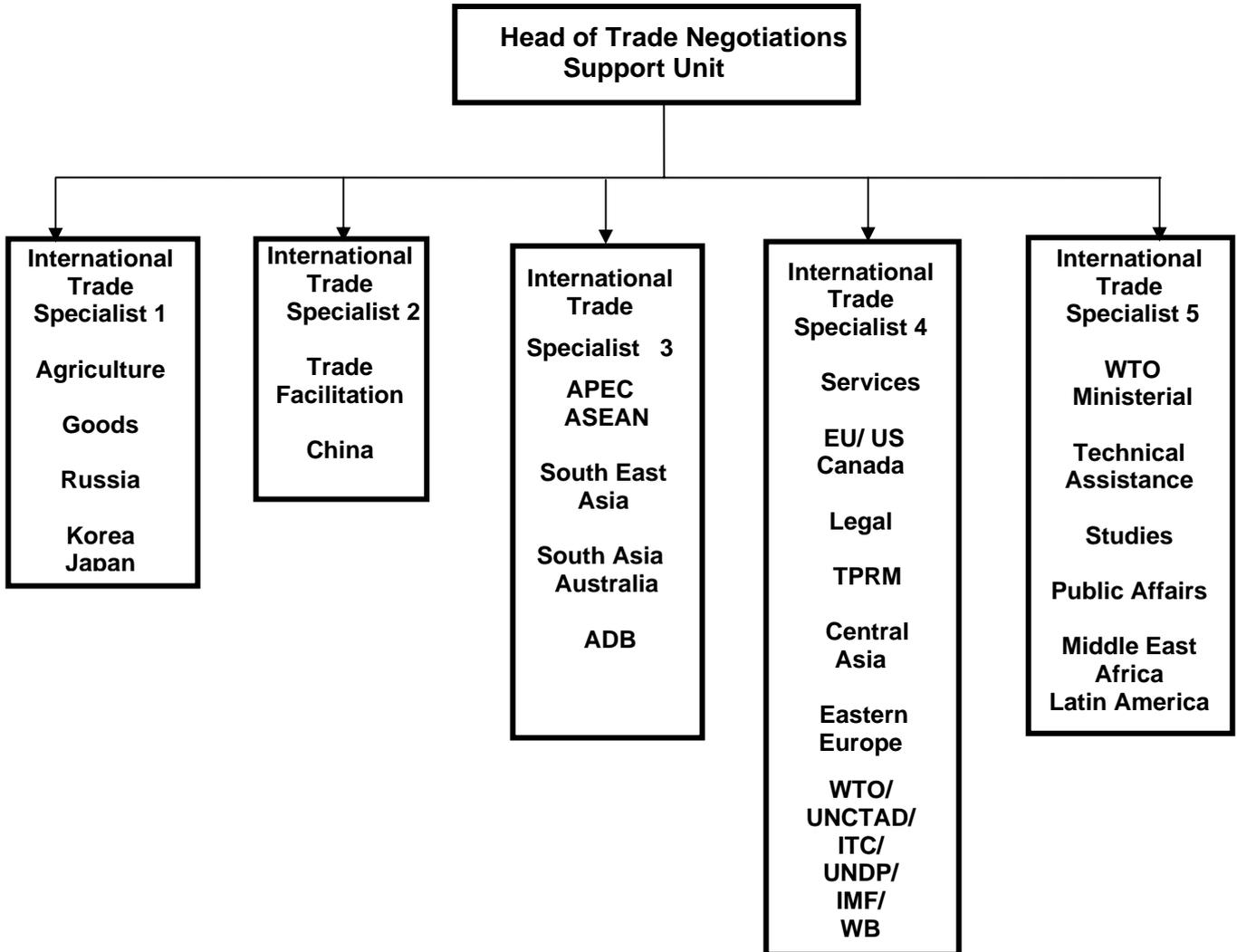
Public Affairs

Middle East/ Africa/Latin America

WTO/UNCTAD/ITC/UNDP/IMF/WB

Tab F. Structure of Trade Negotiations Support Unit

Structure of Trade Negotiations Support Unit Scenario 2/Year 2



Trade Negotiations and Implementation Support Unit						
Budget Estimates (US\$)						
ITEM	YEAR 1			YEAR 2		
	Unit Cost	Units	Total Cost	Unit Cost	Units	Total Cost
Recurring Costs, per annum						
Salaries - Professional Staff	1,500	72	108,000	1,500	72	108,000
Salaries - Support Staff	400	36	14,400	400	36	14,400
Internet Service	10	110	1,100	10	110	1,100
Office Consumables	300	12	3,600	500	12	6,000
Utilities	200	12	2,400	300	12	3,600
Travel	1,200	12	14,400	1,200	12	14,400
Sub-total			143,900			147,500
Capital Costs						
Computer Work Stations	1,500	11	16,500	1,500	11	16,500
Reference Materials	1,000	6	6,000	1,000	6	6,000
Furniture						
Desks	500	8	4,500	500	9	4,500
Chairs	150	8	1,350	150	9	1,350
Cabinets	200	6	1,400	200	7	1,400
Conference Room	2,000	1	2,000	2,000	1	2,000
Sub-total			31,750			31,750
First Year Total			175,650			179,250

Tab J. Trade Negotiations Support Unit's 2005 Activities

Exhibit 1: Trade Negotiating Support Unit

COMPONENT	2005 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
A.1. Creation of Trade Negotiating Support Unit					
A.1.1. Personnel					
A.1.1.1 Trade Negotiating Professional Staff 5 - 8	Prepare Position Descriptions				
	Recruit Candidates				
	Select Trade Specialists				
	Sign Contracts				
	Commencement of Employment				
A.1.1.2 Trade Negotiating Support Staff 2 - 4	Prepare Position Descriptions				
	Recruit Candidates				
	Select Staff				
	Sign Contracts Commencement of Employment				
A.1.2 Facilities	Decision on Location				
	Preparation				
	Move In				
A.1.3. Office	Obtain:				
	Furniture				
	Supplies				
	Reference Materials				
A.1.4 Computerization					
A.1.5 Studies	Creation of Funding Sources				
	Establishment of Mechanism to Utilize				

SYMBOLS:

X = Event, benchmark, task completion

>> Indicates continuous activity

Tab K. Trade Negotiations Support Unit's 2006 Activities

Exhibit 2: Trade Negotiating Support Unit

COMPONENT	2006 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
A.1. Creation of Trade Negotiating Support Unit					
A.1.1. Personnel					
A.1.1.1 Trade Negotiating Professional Staff 0 - 3	Prepare Position				
	Descriptions				
	Recruit Candidates				
	Select Trade Specialists				
	Sign Contracts				
	Commencement of Employment				
A.1.1.2 Trade Negotiating Support Staff 0- 2	Prepare Position Descriptions				
	Recruit Candidates				
	Select Trade Specialists				
	Sign Contracts				
	Commencement of Employment				
A.1.2 Facilities					
A.1.3. Office	Obtain Supplies				
	Reference Materials				
A.1.4 Computerization					
A.1.5 Studies	Commissioning of Studies				

SYMBOLS:

X = Event, benchmark, task completion

>> Indicates continuous activity

Tab L. Trade Negotiations Support Unit's 2007 Activities

Exhibit 3: Trade Negotiating Support Unit

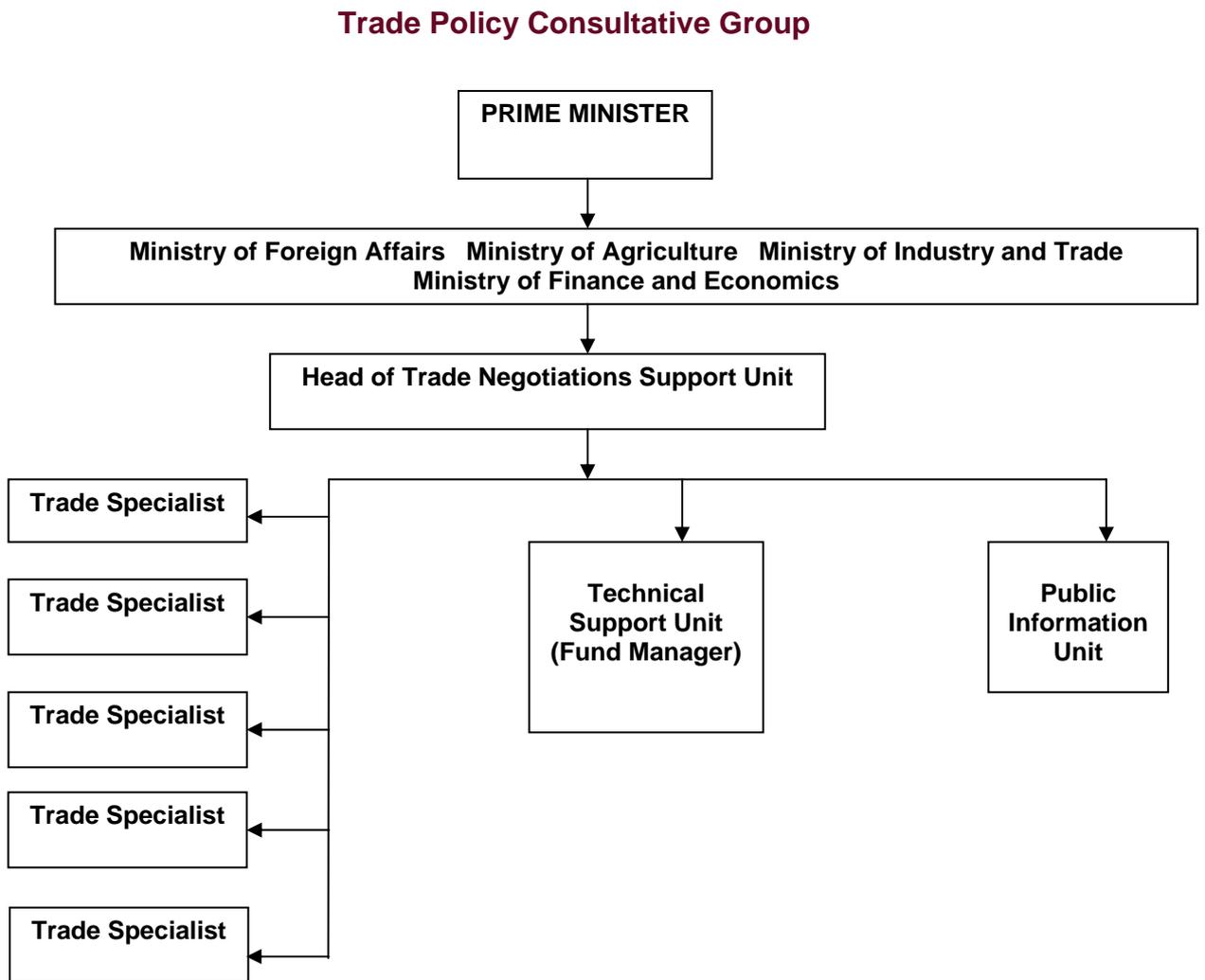
COMPONENT	2007 ACTIVITIES	DELIVERABLES & BENCHMARKS			
		Quarter 1	Quarter 2	Quarter 3	Quarter 4
A.1. Creation of Trade Negotiating Support Unit					
A.1.1. Personnel					
A.1.1.1 Trade Negotiating Professional Staff 0 - 3					
A.1.1.2 Trade Negotiating Support Staff 0- 2					
A.1.2 Facilities					
A.1.3. Office	Supplies				
	Reference Materials				
A.1.4 Computerization					
A.1.5 Studies	Commissioning of Studies				

SYMBOLS:

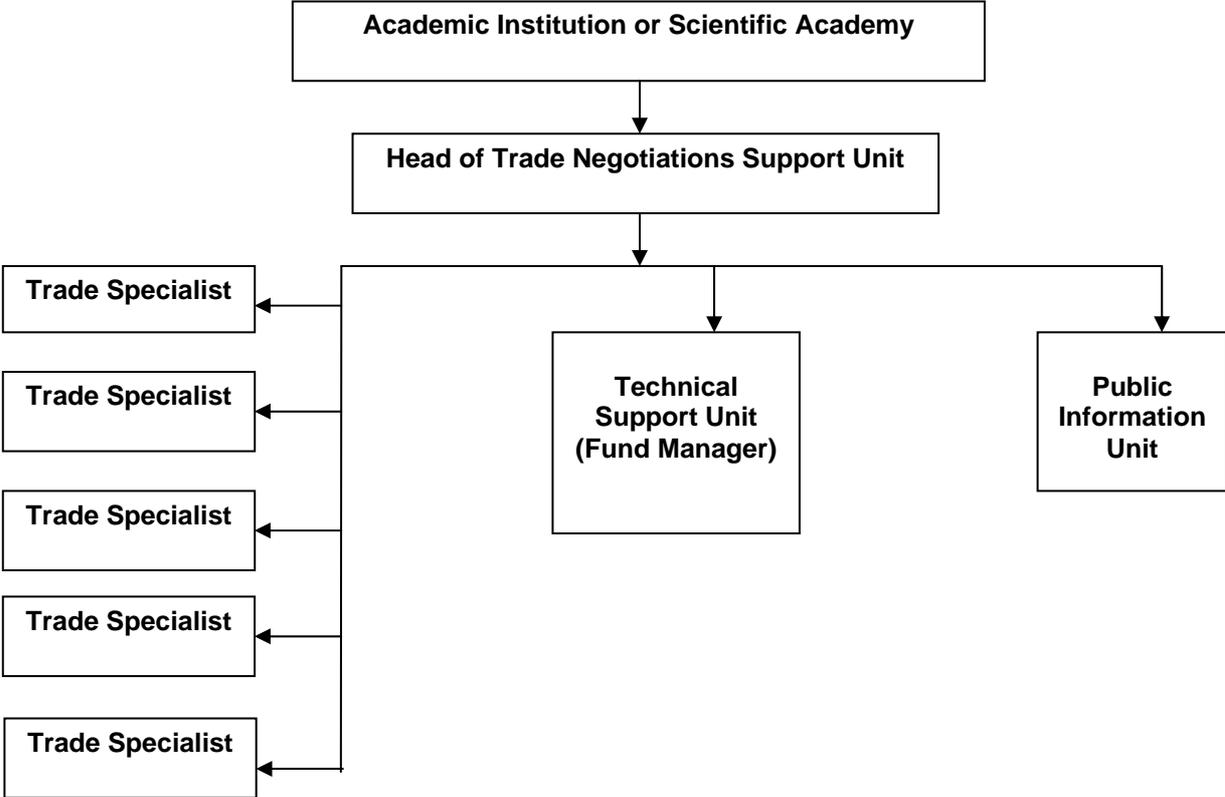
X = Event, benchmark, task completion

>> Indicates continuous activity

Tab M. Possible Reporting Relationship to Trade Policy Consultative Group

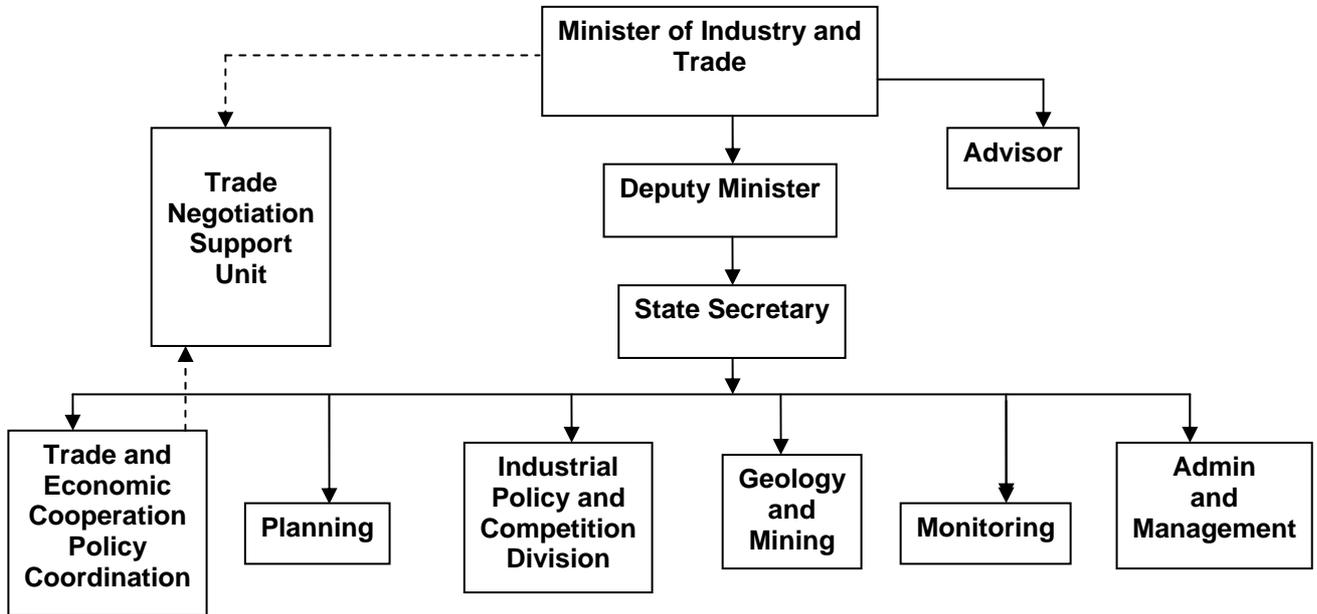


Academic Institution or Scientific Academy

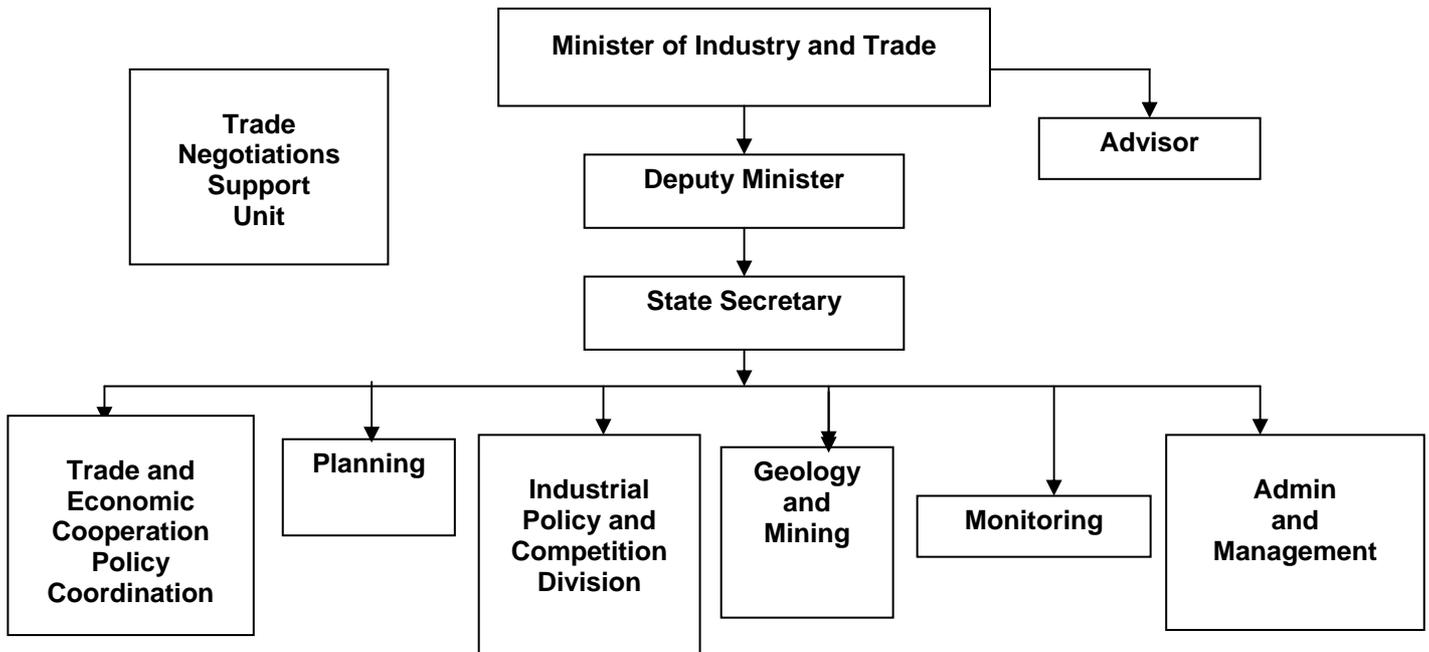


Tab L. Possible Relationship of Support Unit to TECPCD and Minister's Office

Possible Relationships of Trade Negotiations Support Unit Option 1



Possible Relationship of Trade Negotiations Support Unit Option 2



POSSIBLE LIST OF STUDIES TO COMMISSION FOR TRADE NEGOTIATIONS

1. Current and projected Mongolian export to Russia by HS tariff line item
2. Reducing and removing Russia's non-tariff barriers to Mongolian products through WTO Accession
3. China's compliance with its WTO obligations with regard to national treatment for Mongolia companies on rail shipping line rates and foreign investment in transit and distribution services.
4. Status and current scope of Trade Facilitation negotiations at the WTO as they concern Mongolia
5. Expectations concerning offers in agriculture, goods and service for the Doha Round by low income developing countries, such as Mongolia
6. Liberalizing Mongolia's Services Sector
7. What APEC working parties are most relevant to Mongolia?
8. Steps for Mongolia to take to participate in APEC and ASEAN trade liberalization
9. Costs, benefits and timing of potential Mongolia FTA's with trading partners
10. Preferential tariff programs currently or potentially available to Mongolia exports

**ANNEX D: GOVERNMENT OF MONGOLIA'S REPORT FOR THE WTO TRADE POLICY
REVIEW**

ANNEX D: GOVERNMENT OF MONGOLIA'S REPORT FOR THE WTO TRADE POLICY REVIEW

REPORT BY THE GOVERNMENT OF MONGOLIA

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Introduction

1. Mongolia is one of the first economies in transition that became a Member of the World Trade Organization /WTO/. By becoming the Member of the WTO in 1997, Mongolia has proven to support the concept of multilateral trading system and the trends of global economic development.
2. This is the first review of Mongolia's trade policy since its accession to the WTO, the main objectives of which are, as the Government of Mongolia considers, to bring to the attention of the Members the major results and changes that occurred in trade policy within the reporting period, as well as the current economic and trade situation of the country, issues, constraints and policy directions in the future.
3. The Government of Mongolia is ascertained that this first review shall play an important role in determining and bringing the economic development objectives to the right path, in coherence with rules and regulations of the WTO.
4. This Report by the Government attempted to reflect current economic liberalization issues, external trade and foreign direct investment /FDI/ environment and structural changes therein, changes in major economic sectors, multilateral and bilateral trade situation and trends and directions in trade and economic development.

Mongolia and multilateralism

5. It is the consideration of the Government of Mongolia that cooperation in multilateral trading system will play a significant role in economic development and bringing the living standards of the population up, especially for Mongolia, 50% of the GDP of which account for exports.
6. As of present, Mongolia does not belong to any of regional trade and economic agreements. This is the indication that Mongolia promotes open and liberal foreign trade policy. Nonetheless, the Government does not exclude the possibility of acceding to and/or initiating any such multilateral and bilateral agreements and with this purpose careful studies are being undertaken.
7. The Action Programme of the Government of Mongolia reflects to thoroughly study for possibilities that arise from regional cooperation agreements, possible accession to APEC and other similar agreements, as well as to increase Mongolia's role in regional development, promote and intensify trade and investment cooperation within the region and to negotiate free trade agreements with some of the countries in the region.

Economic and trade developments: 1997 - 2003

8. Transition from centrally-planned economic system to market economy has started in Mongolia from early 1990s. As a result of decisive measures taken by the Government towards directing the economic development to the new path and creating new leverage for development as a whole, positive trends have started to occur from mid-1990s.

A. Current macro economic situation

9. Despite the fact that the country has faced considerable obstacles and constraints during the transition, the Government considers that it could overcome the economic difficulties of the period by ensuring socio-political stability in the country.
10. In the transition to market economy, economic reform has played a vital role. Within this framework, a number of measures directed towards privatizing state-owned enterprises, promoting private sector, developing national industries, liberalizing foreign trade, attracting FDIs, undertaking

structural changes, carrying out adequate financial and monetary policies, recuperating and restructuring the banking system have been taken during the last period.

11. As a result, since 1993, positive indicators occurred in economic development. The real economic growth has reached 3,3% in average between 1993 and 2004. The real economic growth in 2002 was 4%, in 2003 - 5,5% and expected growth in 2004 reaches 8%. If inflation rate in 1995 was 53,1%, then in 1998-2003 it did not exceed the average of 10,0% annually. In 2002, it accounted for only 1,6% presenting the lowest level within the whole period. This indicates that macro economic and financial environments have substantially improved creating favourable condition for running businesses in Mongolia.

12. One of the indicators of macro economic situation is the exchange rate of Tugrug /national currency/ against hard currencies. In the last 3-4 years, the exchange rate has been somewhat stable. In 2003 compared to that of 1995, Tugrug against USD depreciated by 2,5 times, to that of 1997 - by 1,4 times, to that of 2000 - by 6,4%, which means that between 1997-2002 it ranged on average around 17,2% annually. Between 1999-2002, Tugrug has depreciated in average by 5,4% annually.

13. As a result of comprehensive measures taken to overcome banking and financial crisis and the revitalization of the sector, the general trust of the people and of economic entities in banks has grown, bank reserves have increased and credit resources, which play an important role in economic development have, consequently, increased. The privatization process undertaken in the banking sector has given birth to new foreign-invested commercial banks, which in turn permitted the introduction of international banking management and of the 17 commercial banks operating today 5 are foreign-invested banks.

14. Besides, financial mediation services have started to develop since 1999 and non-banking financial institutions /NBFIs/, as well as Savings and Credit Corporations /SCCs/ have been established. As of 2003, 104 NBFIs were registered operating in mainly providing micro-credits, thus making certain contribution to the economy. SCCs have become big engines, which accumulate savings and provide credits.

15. The Law on Non-Banking Financial Services and related regulations adopted in 2002 have created the legal ground for such services. In 2003, the total credits of NBFIs increased by 51,7% reaching 18,9 billion Tugrugs compared to the previous year, thus accounting for 2,3% of the banking sector. As well, in total 33,8 billion Tugrugs were credited to individuals and entities by SCCs and accumulating 38,4 billion Tugrugs in savings.

16. Within the framework of economic stabilization objectives, certain measures have been taken to reduce unemployment. As such, the unemployment rate dropped from 5,5% in 1995 to 3,5% in 2003.

17. As of the end of 2003, the share of trade in the GDP reached 28,8%, of agriculture -20,0%, of transportation - 15,1%, of mining - 9,5% and of processing industries - 6,0%.

18. The promotion of private sector was one of the major objectives of the Government of Mongolia. A particular attention was paid to privatization of state-owned enterprises. Livestock, crop land and trade sector were privatized since early 1990s and bigger entities such as the Trade and Development Bank, Agricultural Bank, NIC (petroleum distribution) and Mongol Daatgal (insurance) companies were privatized since 2000. The Government's Action Programme for the next four years states that private sector is the engine that drives growth, thus it is stipulated to continue with privatization process, including big entities. Privatization resulted in that the 75-80% of the GDP is produced by the private sector.

B. External trade and foreign direct investment

B1.Foreign trade

19. By becoming the Member of the WTO in 1997, Mongolia has chosen the path of multilateral trading system and made its principles the engine for development. 25%-30% of the GDP account for trade. This shows that the country's economy heavily depends upon external trade. Therefore, it is important for the country like Mongolia land-locked in-between the two giant states, to correctly identify and accurately implement trade policy. The choice of multilateral trading system and its principles, on the basis of which the pursuance of a more liberal trade policy in general has had positive reflection on the economy.

20. If in 1995, the total trade turnover of the country accounted for USD 937,2 million, in 2000 it reached USD 1150,3 million, in 2001-USD 1159,2 million, in 2002-USD 1214,7 million and in 2003 - USD 1416,9 million that is compared to that of 1995 the increase by 1,5 times and to that of 2000 - by 23,2%.

21. Although the total trade turnover has steadily been increasing, trade remains in deficit for the whole period except for 1993-1995. For instance, trade deficit in 1997 accounted for USD 16,8 million, in 2000-USD 78,7 million, in 2001 - USD 116,2 million, in 2002 - USD 166,7 million and in 2003 - USD 185,1 million, which compared to 2000 is the increase by 2,4 times. The reasons lying behind the increase of trade deficit over years include trade dependency on few export commodities, high percentage of raw materials in exports, heavy dependency of these raw materials on world market prices, the ever increasing needs for imports and more costly foreign trade due to high transit transportation costs.

Table 1. Total trade turnover, USD million

	1995	1997	2000	2001	2002	2003
Total trade turnover, of which:	937,2	919,8	1150,3	1159,2	1214,7	1416,9
Export	521,9	451,5	535,8	521,5	524,0	615,9
Import	415,3	468,3	614,5	637,7	690,7	801,0
Balance	106,6	-16,8	-78,7	-116,2	-166,7	-185,1

22. If before 1990s, former Soviet Union and Eastern European countries took more than 90% of our total trade, after 1997 major changes have occurred in the geographical distribution of Mongolia's trade partners. Presently, Mongolia trades with more than 80 countries, the PR of China, the Russian Federation, the USA, the EU, the Republic of Korea and Japan being our major trading partners.

Table 2. Below shows our major trading partners and their share in total trade.

	1995	1997	2000	2001	2002	2003
Total, of which:	100,0	100,0	100,0	100,0	100,0	100,0
PR of China	13,0	32,0	34,8	32,3	32,0	32,2
Russian Fed.	29,5	27,0	21,8	23,4	23,5	21,6
USA	4,3	7,2	13,8	13,7	15,6	11,7
EU	10,8	14,3	9,2	9,2	7,3	9,4
Rep. of Korea	5,1	2,6	5,9	6,8	9,0	5,3
Japan	15,0	6,6	7,1	6,2	4,0	5,1

Since 1990, Mongolia has concluded nearly 30 bilateral trade and economic cooperation agreements.

23. In order to make the customs procedures more appropriate, the Customs and the Customs Tariff Laws were adopted in 1996 and subsequently amended in 2001, 2002, 2003 and 2004 respectively. The ASYCUDA /automatic system customs data/ system were used since 1995, which was replaced by GAMAS /automatic system customs data/ in 2003 facilitated a more simplified and speedy customs clearance procedures. As well, a "one-stop" service principle was introduced to fasten the customs services and to reduce the bureaucratic ladder for businesses.

24. The national standards are adopted by the National Standards Council on the basis of consultation between the Government, producers, businesses and the consumers. The Law on Standards and Conformity Assessment was renewed in 2003 to ensure the compliance with the WTO Agreement on Technical Barriers to Trade.

B2. Mongolia's bilateral trade relations

25. More than 50% of our total trade accounts for trade with the Russian Federation and the PR of China. The main export products of Mongolia to Russia are mainly products of animal origin and minerals, including beef, horse meat, fluorspar and copper concentrates and gold and to China are copper and molybdenum concentrates, wool, cashmere, hides and skins. Due to the reason that exports to these countries are dominated by agricultural products, they are fragile to technical barriers of these countries. Besides, access to the Russian market is becoming more problematic, import duties on Mongolian traditional products are sharply increasing and external trade activities are becoming more costly in relation to Russia's accession process to the WTO. In particular, Russia's transportation costs and export taxes have been increased, which negatively affect Mongolia's trade as a whole, and bilateral trade deficit is increasing year by year. As of 2003, compared to 1995, trade turnover with Russia dropped by about 10%, whereas trade with China increased by 3.5 times.

26. The share of the USA in the country's total trade was about 12% as at the end of 2003, that is compared to 1995 is the increase by 4 times. The major export goods include textiles. With the objective to increase trade and investment between the two countries, the Government of Mongolia aims to start the negotiations of a free trade agreement with the US. As such, an Agreement Concerning the Development of Trade and Investment Relations was signed between the two countries in July 2004. Under the Agreement, a Joint Trade and Investment Council has been set up.

27. Trade with the EU accounts for about 10% of our total trade. In 2003, trade between Mongolia and the EU increased by more than 30% compared to 1995. Gold, textiles and cashmere goods are the main export goods of Mongolia to the EU. The objectives in bilateral trade cooperation with the EU in the near future include the registration of Mongolian traditional export goods as geographical indications, as well as seeking the possibilities of inclusion of Mongolian cashmere products in the EU GSP scheme.

28. Japan and the Republic of Korea together take about 10% of the total trade, of which 5.3% accounts for the Republic of Korea. Trade with Korea has increased in the last years. In 2003, compared to 1995, it increased by 1.6 times. Trade between Mongolia and Japan in 2003 has dropped by double compared to 1995, which is considered was mainly due to the Asia crisis of 1997-1998 and the substantial decrease of Mongolia's exports. There remain enough constraints in the increase of Mongolian exports to these countries as their tariffs and import requirements for animal products are still very high.

29. High costs for transportation through the territories of the Russian Federation, as well as of the PR of China and other obstacles in transportation make the transit transportation costly, thus difficult to access the markets in the EU, the US, Japan and the Republic of Korea. Taking this into consideration, expediting the negotiations of the tripartite Agreement on Transit Transportation between Mongolia, Russia and China is more than important for the country. Addressing these problems also requires additional technical assistance.

B3. Exports

30. Mongolian exports are composed of few items, namely minerals such as copper, molybdenum and fluorspar concentrates and gold, textiles and animal originated raw materials such as wool, cashmere, hides and skins, meat and intestines. Minerals and textiles account for more than 60% of total exports.

31. Over the last few years until 2000, there has been an increase in the share of exports in the GDP: 42,8% in 1997, 52,7% in 1999, 57,7% in 2000. However, in 2001 it dropped to 51,5%, in 2002 even more to 47,9%, recovering by a bit in 2003 reaching 49,3%. Such fluctuations were mainly due to natural disasters such as drought and dzud /harsh winter conditions/ between 2000 and 2002, the decreased demand for copper and cashmere and the decline of the world prices for these commodities.

32. The country's main export destinations are the PR of China, the USA, the EU, the Russian Federation and Singapore.

Table 3. Mongolian exports, by countries, in percentage

	1995	1997	2000	2001	2002	2003
PR of China	14,9	51,9	51,2	45,7	42,1	46,1
USA	4,9	6,5	24,3	27,7	31,6	23,2
EU	11,7	9,1	7,7	7,2	6,3	7,4
Russian Fed.	13,2	18,3	8,4	8,6	9,2	6,7
Singapore			0,01	0,03	0,02	5,7

33. With the purpose of increasing exports and their diversification, no taxes are levied upon exports, except for certain goods such as raw cashmere, iron, copper, aluminium wastes and wood. A national programme to Promote Export-Oriented Production was launched in 1998 to strengthen the economic capabilities of the country and to ensure sustainable development through the accumulation of savings and the increase of hard currency reserves. In addition, an Export Promotion Centre was established under the Foreign Trade and Foreign Investment Agency in 2002.

34. Some of the Mongolian export items enjoy preferential tariffs under the GSP schemes of the USA, the EU, Canada and Japan.

35. The Government aims to pursue the trade policy that would facilitate the one-sided structure of exports. Within this framework, the objectives are to diversify exports, promote new products, improve their competitiveness, reduce trade barriers, develop business relations with the South and North Eastern Asia and Europe, as well as actively work towards including more Mongolian products in the GSP schemes of developed countries.

B3. Imports

36. The country's imports are more diverse and less centralized compared to its exports. For instance, heavy machinery, equipment, electrical appliances counted for 21,0% of total imports in 2003, fuel-20,8%, vehicles-10,8%, textiles-10,4% and food and foodstuffs-7,7%. The imports of these goods account for more than 70% of total imports.

37. Import duties kept changing over the last years. In 1997, import customs duties were removed, between 1999-2000 import tariffs were imposed at 5,0%, in 2001 it was 7,0% and from 2002, the current tariff rate of 5,0% was imposed, which compared to many countries is a fairly low level and this shows that the country is committed to more liberal trade. On the other hand, such a low tariff is followed to promote the capacity of producers and traders to allow them to compensate for high transit transportation costs. In other words, higher import duties would particularly increase the consumer prices, thus make the supply of food and consumer goods difficult to access. The Government aims to

impose differentiated import duties in order to promote domestic production, encourage the transfer of advanced technology, as well as for the concerns related to food security and better quality foodstuffs.

38. The share of imports in the GDP in 1997 accounted for 44,4%, in 1999 with some increase it reached 56,6%, in 2000 it reached 63,3%, whereas in 2001 it decreased to 52,6%. In 2002 and 2003 it increased more reaching 58,0% and 67,0% respectively.

39. The main importing countries to Mongolia are the Russian Federation, the PR of China, the EU, the Republic of Korea and Japan.

Table 4. Mongolian imports, by countries, in percentage

	1995	1997	2000	2001	2002	2003
Russian Fed.	50,1	35,4	29,2	33,6	34,7	33,1
PR of China	10,7	12,9	20,5	18,8	24,3	21,8
EU	9,5	19,3	10,4	10,4	8,1	10,9
Rep. of Korea	5,2	4,4	9,0	9,1	12,5	8,5
Japan	10,9	7,4	11,9	8,8	6,2	7,9

Imports from the above five countries account for more than 80% of the total imports in 2003.

B4. Foreign Direct Investment (FDI)

40. "Investment Programme", a mid-term policy and strategic activities for FDI, was launched in 2001. Among other activities, with the purpose of attracting FDIs, the year 2002 was announced the Year of Investment Promotion, within the framework of which an International Forum of Investors was organized. As well since 2002, the forum of investors in the mining, agricultural and other sectors has been organized annually, which resulted in the increase of FDIs by 40% in 2002 compared to the previous year. In total, FDIs made to Mongolia since 1990s reached USD 1,3 billion. In figures, the FDI made between 1997 and 2003 increased by 5,8 times compared to that between 1990 and 1996.

Table 5. Foreign direct investment, USD million

	FDI /1990-2003/	1990-1996	1997-2003	Increase
Total, of which:	1114,7	164,5	950,2	5,8 times
PR of China	337,7	13,6	324,1	23,8 times
Canada	133,8	0,1	133,7	1337 times
Rep. of Korea	83,3	9,2	74,1	8 times
Japan	60,5	23,7	36,8	1,6 times
USA	36,6	14,2	22,4	1,6 times
Russian Fed.	34,0	14,1	19,8	1,4 times

41. A particular attention was paid to the creation of a more favorable environment for FDIs. The necessary amendments made to the Foreign Investment Law of 1993 served a major pillar to attract and protect FDIs. These amendments include the expansion of forms and types of FDIs and the legal ground for concluding "Stability Agreements" has been established.

42. To protect and promote FDIs, the Government has concluded Agreements on the Promotion and Mutual Protection of FDIs with about 40 countries and Agreements on the Avoidance of Double Taxation with more than 30 countries.

43. Mining, information and technology, agricultural production and tourism have been identified by the Government as priority sectors for development and FDIs. The imports of some equipments and heavy machinery in these sectors enjoyed customs and VAT tax exemption.

44. The Government considers FDI as an important thrust in the economic development of the country. In reaching its objective to ensure a 6% annual economic growth, the Government in its Action Programme stated to create an environment that protects FDIs. Within the framework of this Programme, a policy that creates incentives for both foreign and domestic investment and a more stable legal environment attracts new sources of FDIs, as well as to ensure a more effective use of FDIs will be carried out.

C. Legal and structural changes in external trade

45. Since its accession to the WTO, the Government has undertaken a number of measures directed towards refining and making trade laws in line with the WTO rules, regulations and requirements. The Insurance Law, the Food Law, the Labour Law, the Accounting Law, the Land Law, the Company Law, the Bankruptcy Law, the Free Zone Law, the laws on the Legal Status of Altanbulag and Tsagaannuur Free Trade Zones, the Law on the Legal Status of Zamyn-Uud Free Economic Zone, the Licensing Law, the Immovable Property Law, the Trademarks and Geographical Indications Law, the Civil Code and the Quarantine and Inspection for Transferring of Animals, Plants, Raw materials and Products of Their Origin Through the State Border Law were adopted. The unnecessary amendments were made to the Customs Law, the Customs Tariff Law, the Minerals Law, the Standardization and Conformity Assessment Law, the Environmental Protection Law, the Excise Tax Law, the VAT Law, the Foreign Investment Law, the Copyright Law, the Patent Law and the Taxation Law.

46. Previously specialized inspections, for example, standards, insurance, labour, environment, veterinary inspections, hygienic and sanitary inspections were carried out by inspection units under respective ministries. Since 2002, all these separate specialized units were brought under a single umbrella organization-the State Specialized Inspection Agency, thus inspection services are provided at a one-stop-service principle.

47. In order to provide the local population with better quality and cheaper foodstuffs and consumer goods on one side and to purchase animal-originated raw materials such as wool, cashmere, hides and skins from herders and supply the domestic industries with raw materials on the other side, the Wholesale Network Programme was launched in 2002 by the Government. At present, the programme is being implemented in 14 aimags /provinces/ of the total 21.

48. The Parliament Resolution No. 5 of 1998 on the “List of goods prohibited to cross the borders and the goods subject to non-tariff regulation” and the Government Resolution No. 219 of 2002 on the “List of licensed goods”, together with this “Regulation on export and import licensing of goods subject to state control” set the list of prohibited goods and goods allowed for import and export with licenses. In accordance with the Regulation, the number of licensed goods was reduced from 19 groups of products to 9, which are coherent with international practice of licensing, i.e. previously licensed 4000 types of chemicals were reduced to 300. Breeding animals, rare and very rare animals, raw materials therefrom, semens of animals, cultures of micro-organisms, uranium and thorium ores and concentrates, poisonous chemicals, human blood and organs for therapeutic and prophylactic purposes, explosives and guns are subject to licensing. Licensing is carried out by sectoral ministries and the Ministry of Industry and Trade is responsible for accumulating the information.

49. A number of projects implemented in trade and industry fields in the last years with the financial assistance of international organizations and donor countries, including the ITC, UNIDO and ADB have been resultful. As well, the German-funded projects on International Trade Policy/WTO and on Export-Oriented Trade and Industrial Policy are considered to be the successful ones.

50. Mongolia has set up bilateral intergovernmental foras in the form of committees and roundtables with some of its trading partners to discuss relevant issues concerning trade, economic, cultural, scientific and technical cooperation. For instance, such committees are established with the Russian Federation, the PR of China, the EU, Bulgaria, Hungary, the Czech Republic, Austria, Finland, the Republic of Korea, France, India, Kazakhstan, the Kyrgyz Republic, Ukraine, Belarus, Vietnam, Cuba and Turkey and with the UK, Canada and the DPR of Korea discussions are organized as roundtables. The Government Resolution 214 of 2004 nominates the heads of the Mongolian side of the committees.

51. There is a fora for discussion of WTO-related matters as well. The first inter-ministerial working group headed by the Minister for Industry and Trade established in 2001 was re-established in November 2004. The working group is composed of representatives of respective ministries' and agencies' and has the mandate to discuss the issues related to trade and the WTO in particular and drawing recommendations to the Government.

52. A specific attention was paid by the Government to the importance of the private sectors participation in developing and formulating trade policy. With the purpose of creating partnership and cooperation between governmental and non-governmental organizations and the private sector and making recommendations to the Government, a Consultative Committee with equal representation by the parties was established in 2001. As well, to ensure the involvement of professional associations in developing and promoting industrial and investment policies, close cooperation is maintained between the Government, the Mongolian National Chamber of Commerce and Industry, the Mongolian Employers' Federation and other professional associations.

Major economic sectors of Mongolia

Mining

53. Mining is one of the major sectors that play an important role in the economy of the country. As of 2003, the share of the sector in the GDP accounts for 9,5%. Between 1995 and 2002, the sector takes 49%-50% of the total industrial output and in 2003 it reached 54,3% of the industrial output counting for the highest percentage in the last 10 years. Minerals accumulate 50% of our total export revenues.

54. Since 1997, there was a little or no substantial changes in the structure of minerals exports and in 2003, 26,6% of exports were copper concentrate, 22,7% - gold, 3,2% - fluorspar concentrate and 2,4% - molybdenum concentrate.

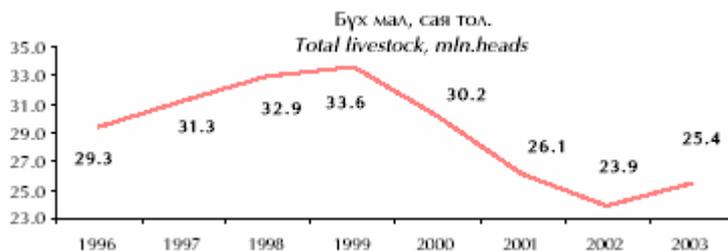
55. The Government set out the policy and directions in mining sector until the year 2010 and created the legal environment for Stability Agreements in order to attract and increase investment in this sector. As a result of a number of specific measures, investment in the sector in the last four years has increased by about four times.

56. Oil and oil extraction has started to play certain role in the economy. If before 2000 oil extraction took only 0,1% of total industrial output, then in 2003, it took 0,7%. As a result of appropriate measures taken by the Government in this sector, foreign investment in the sector has been gradually increasing since 1993 to 1998 reaching the highest point of USD 32,7 million. However, since 1999, investment has dropped and currently, the annual average of investment is USD 7,8 million.

57. In the future, a particular attention is to be paid to environmental rehabilitation of mining areas, the increase of minerals' exports, the increase of oil extraction and the creation of processing capabilities of crude oil.

Agriculture

58. The share of agricultural sector in the GDP in 1995 was 38%, in 1996 – 43%, in 1997 – 36%, in 2000 – 29%, in 2002 and 2003 – 20%. Livestock, one of the major constructors of agricultural output, counted for about 85%-87% of the total agricultural output between 1995 and 2000. In 2001-2002, it decreased to 80%. The reason is that between 1995-1999 the number of the heads of livestock has intensively grown to reach 33,6 million, which by 2003 decreased to 25,4 million heads. Such a sharp decrease was resulted by natural disasters, which caused the loss of more than 10 million heads of livestock.



59. The total agricultural output in 2003 accumulated USD 329,4 million, of which livestock accounted for USD 262 million and crops - for USD 67.4 million. If due to the reasons stated above, livestock has decreased, crops, on the other hand, shown some increase. Agricultural production, one of the major sources of the country's economic development, has faced substantial difficulties in the beginning of 1990s and domestic production had virtually collapsed. To halt the down-fall of the sector and put the sector into the right path of development and ensure its further growth were the issues of concern for the Government and as such, major changes have been undertaken since 1990s. Livestock and crop-land were privatized. Various programmes have been implemented at the national level to increase employment in the sector, to address the issues of poverty, to prevent from natural disasters, to introduce new technology and machinery, to ensure food security, to protect plants and to control pest and disease. An international forum of investors in the agricultural sector was organized in 2004 with the objective of attracting investors to the sector. These measures have resulted in the increase of agricultural output and in 2003 compared to that of the previous year increased by 7,5% and compared to 1995 increased by 44%.

60. Decrease of agricultural output in the last four years was mainly resulted from natural disasters and in 2003 as the heads of livestock grew, agricultural output increased.

61. In 2003, the Government adopted the "Food and Agriculture Policy" until the year 2015, which aims to create a better economic and business environment, increase production capacity and capability, ensure stable development and growth of livestock, crop and food sectors, produce a more ecologically clean and safe foodstuffs and improve their quality and distribution. A detailed work-plan was developed to ensure the implementation of the policy, which is being monitored.

62. The Government intends to privatize the land in the local areas, thus to open possibilities for local population to enjoy the benefits of it, to improve access to water in gobi and steppe areas, to promote farming and intensified agriculture, to improve the processing of agricultural products, as well as to provide the necessary support to the production of ecologically clean products and create markets for special quality livestock originated products.

Industry

63. Industry plays an important role in the economic development of the country. From the beginning of the 1990s to 2000, total industrial output decreased by 31% but increased by 11,8% in 2001, by 3,8% in 2002 and by 2% in 2003. The Government announced the year 2001 the "Year of Promoting National Industries", within the framework of which the Government put the objectives to define the priority sectors of economic development, create a more favourable legal environment for investment and to begin industrial technological renovation and it continues the implementation of

these objectives. The collapse of processing industry has been halted and total production of the sector increased by 22,7% in 2001, by 24,3% in 2002, by 36,7% in 2003, accounting for 28% of the gross industrial output.

64. In order to strengthen competitiveness of products, introduce modern management, techniques and technology in priority sectors such as mining, meat, wool, cashmere and hides and skins processing industries, various concepts and programmes such as on “Cashmere”, “Wool”, “Hides and skins”, “Wholesale Network Programme”, “Short-term Development Concept on Geology and Mining”, the “Concept of Developing Oil and Petroleum Sector until 2010” have been implemented and positive results have occurred in the development of the industrial sector.

65. The Government’s policy in the sector is directed towards the implementation and establishment of free economic and trade zones, industrial parks to promote small and medium-sized enterprises (SMEs), expansion of micro-credit system and promoting the use of industrial machinery and equipment via soft loans and leasing.

Energy and petroleum

66. Major restructuring of the sector started from the year of 2002 by adopting the “Energy Law”. 18 private companies, which produce, transfer and distribute electricity and thermal energy, were established to open the sector to market competition.

67. As part of restructuring, an independent mechanism was created by establishing the Energy Coordination Authority (ECA), as a result of which opportunities opened up for attracting foreign and domestic investments. A more competitive services started being provided to the users of electricity and thermal energy, as well it ensured a more effective utilization. In 2003, qualitative results occurred for the first time and the sector’s income was about USD 0,3 million.

68. For the fuel, the extraction of coal in 2003 compared to that of 2000 increased by 15,6% reaching 5,9 million tones. The renovation of technology and equipment of coal mines resulted in the full supply of domestic needs for coal and there is a plan to export 1-2 million tones of coal.

69. The share of electricity and energy in GDP has gradually been increasing in the last few years and reached nearly 11,5 million Tugrugs (about USD 10 million) in 2003 taking 1,6% of the GDP. The processing of electricity and energy in 2003 compared to 2000 increased by 6,5%, thus decreasing the importation of electricity and energy by 7,3%. The total production of thermal energy in 2003 increased by 2,8% compared to the previous year and compared to 2000 – by 3,6%. This was reasoned by the substantial increase of new buildings and constructions. As well, the consumption of thermal energy also increased in 2003 by 1,1% compared with the previous year and by 0,4% to compare with 2000.

70. Imported electricity shares 5,2% of the total consumption and in the future there is a plan to establish resources with the capacity to produce more than 100 mVATTs.

71. In order to improve the supply of energy, the Government is planning to build hydro-power stations in Western and Central regions, to establish more power cables and to implement programmes on the use of optional energy sources such as solar and wind.

Communications

72. From the end of 1990s, transit to the market economy was successfully carried out by increasing the efficiency of information and communication sector, improving the structure and administration and by renewing the technology of the sector. In 2001, the “Telecommunications Law” was amended and in 2003, the “Law on Postal Services” was adopted. In addition, several measures such as liberalization of the information and communication sector, promotion of fair competition and establishment of public service fund were undertaken, and the Information and Communication Coordination Committee was established. The Committee carries out such activities as issuing of licenses, eliminating restrictions, deepening the openness of the market, promotion of fair competition.

73. In 2000, the Mongolian State Great Hural adopted “The Concept for the Development of Information and Communication Technology of Mongolia to 2010”, in accordance with which a “Medium-term strategy to develop information and communication technology” was approved in 2002 and it is being implemented.

74. Taking into account the rapid enhancement of various services based on the information technology “Law on Information Security”, “General Law on Information Technology”, “Law on E-signature”, “Law on E-agreement” and “Law on E-governance” have been drafted. Citizens are provided with the opportunity to follow the activities of the Government and to participate in drafting of laws by giving their comments through “Open government” website on www.open-government.mn operating within the framework of the law.

75. As a result of the above mentioned measures and introduction of new technologies into the communication sector, income of the communication service increased dramatically in the last years and reached 92.4 billion tugrug in 2003, which increased 5.8 percent in comparison with the previous year and 2.9 times in comparison with 2000. The number of mobile telephone users has increased reaching 75.1 thousand in 2000, 91.2 thousand in 2001, 256.8 thousand in 2002 and 319.4 thousand in 2003. The number of internet users has also increased continuously and reached 11.2 thousand in 2003, which is 12 percent more compared to the previous year, and it doubled compared to the year 2000.

76. In 2002, the telecommunications service monopoly was dismantled and the basis for a fair competition regime was established; competitiveness was introduced into the internet service, international and domestic postal services, information technology utilization and services and the market was opened up. Besides, “Mongolian Telecommunication” company – the only state-owned company in the information and communication sector is scheduled to be privatized in 2005. Within the framework of the sector’s development policy and strategy measures aimed at opening up the service market, eliminating restrictions, coordinating utilization of radio waves, as well as prices and tariffs, facilitating exchange tariff system, establishing an unified information system, implementing “e-Mongolia” program, introducing e-commerce, e-service, distance-training, e-publication and distance-diagnosing and amending related laws and regulations are planned to be carried out.

Transport

77. The Laws on Auto Transportation and Air Transportation were adopted by the Mongolian State Great Hural in 1998 and 1999 respectively. Mongolia joined conventions on international transit transportation – TIR and on the contract for the International carriage of Goods by road (CMR) in 2001 and 2003 respectively.

78. As of today, Mongolia has signed inter-governmental agreements on transportation with 7 countries. Mongolia has concluded bilateral transit agreements with the PR of China (1991) and the Russian Federation (1993), as well as working on establishing a triangle framework agreement on transit traffic between the People’s Republic of China, Mongolia and the Russian Federation.

79. The share of transport and communication sectors in the GDP reached 13% in 2003, which is an increase in comparison with the previous year. This share was 6,3% in 1995 and 9,3% in 2000. Total freight by all means of transportation was 17,6 million tons in 2003, 13,5 million tons in 2002, 10,6 million tons in 2000, 8,9 million tons in 1995 respectively. In 2003, the total freight increased by 30,2% to compare with the previous year, by 65,6% to compare with 2002 and doubled from 1995.

80. Freight forwarding consists of 69,7% by rail, 30,2% by roads and 0,1% by air. In 2003, total freight transportation turnover was 7504 million tons/km or increased by 13,6% compared with the previous year, by 67,8% compared with 2000 and 3 times to compare with 1995. Railway freight has

been continuously increasing in recent years and reached 12,3 million ton/km in 2003, which is 5,5% increase compared with the previous year, 34,1% compared with 2000 and 68% compared with 1995. However, air freight has been showing a tendency to decline in the last 2 years, which is connected to the development of rail and road transportation. The “Concept to Develop Rail Transportation” was approved recently and within its framework several measures such as change of information and communication inflow cables into optical cables, improvement of road conditions, and development of industrial bases are being carried out.

81. Mongolia has concluded agreements on the utilization of Mongolian air space with 37 foreign invested air companies and provided flight administrative services (instructions) for about 120 thousand flights during 2000-2003, ensuring secure air travel. Privatization of this sector started in 2003 and will end in the first half of 2005.

82. The “Millennium Road” programme was launched in 1999 in order to link the Western part of Mongolia with its Eastern part by auto-road. Except for one state-owned company all auto road transportation companies have been privatized. In 2003 the number of all kind of vehicles which have gone through state technical inspection has increased by 29,4% compared with 2000 and by 87% compared with 1995.

83. Duplicated statistics show that the passenger transportation in 2003 was 167 million persons, which is the increase by 58,8% compared with the previous year and by 80,5% compared with 2000.

Construction and urban development

84. Construction, installation and capital repair works have been continuously increasing since 1995. For instance, increases were in 2000 by 2,1 times compared to 1995, 3,1 times in 2002 and 3,6 times in 2003. In 2003, 57% of construction installation and capital repair works were carried out by domestic companies, while 13% by joint ventures and 30% by foreign companies. Share of new buildings completed by construction companies in the construction, installation and capital repair works were 74,8% in 2000, 78,4% in 2002 and 81% in 2003.

85. As of today, there are 733 construction and installation companies, 118 engineering and exploration companies carrying out activities under special licenses and around 70 construction material plants are operating in Mongolia.

86. The “Law on Construction” and the “Law on Water Supply of Urban Area and Utilization of Cleaning Pump” were adopted in 1998 and 2002 respectively. Privatization of the construction sector is basically finished as a result of set of measures aimed at enrolling non-privatized companies into the annual privatization programme of the Government.

87. With the aim to intensify the development of the infrastructure sector, the Government of Mongolia is focused on continuing to implement developing programmes on energy, auto-road, telecommunication and information network, to improve competitiveness of rail transportation, to build infrastructure in major deposits, to introduce high tech, know-how, to increase international flights using Mongolian air space.

Banking and finance

88. Mongolia has transferred into two-tiered banking system by adopting the “Banking Law of Mongolia” in 1991. As a result of decisive actions undertaken by the Government and the Bank of Mongolia to overcome transition crisis, the banking sector began to show signs of recovery since 1999; moreover stability in the financial sector has been strengthened and financial intermediation has been intensified. In 2003, private deposits allocated in commercial banks increased by 66,4% from the previous year and loans issued to business entities and individuals by 91%.

89. As a result of restructuring of the banking sector transaction between commercial banks are intensified. Although the monetary market of Mongolia is yet to be centralized, today, Tugrug and foreign currency transactions between banks are being actively carried out. Tugrug and foreign currency contracts between banks reached around 39 billion Tugrugs in 2003 and transactions of 333.9 billion Tugrugs with an average interest rate of 10-16 percent have been made.

90. Certain results are being achieved according to measures undertaken within the State monetary policy, focused on ensuring and strengthening the stability of the financial sector, providing banks with conditions to conduct their businesses in accordance with international standards, making financial institutions transparent and open to the public, conducting supervisions in line with internationally accepted methods and means.

91. Government is planning to strengthen the financial market, to develop financial intermediation, to intensify secondary market of bonds, to issue government bonds into the international market, to improve the legal environment for banking, to reduce interest rates of loans and to strengthen the security of private accounts.

Tourism

92. The Government identified tourism as a priority sector for development. As a result of measures aimed at improving harmonization, coordination and management between sectors, developing infrastructure and advancing the quality of services to international standards, the contribution of the tourism sector in the GDP reached around 10% in 2003. If the number of tourists visiting Mongolia in 1996-1999 was 388,1 thousand, in 2000-2003 it reached 733,1 thousand persons, increasing by 1,9 times and the total income of the sector in the same periods grew from USD 82,8 million to USD 445,7 million or increased by 5,4 times.

93. In order to promote Mongolia in foreign countries and to increase the number of tourists, the Government announced 2003 as the year of “Visit Mongolia” and as an outcome of specific activities undertaken by the Government, the number of tourists increased by 12% compared with the previous year. Based on the experiences of other countries, where tourism is highly developed and where a “visiting year” is proclaimed for several years under specific themes, the Government renounced the year 2004 as the year of “Discover Mongolia”. As result of numerous actions taken in order to attract tourists and to improve services 285 thousand tourists came to Mongolia and earned USD 241 million as of November 2004.

94. Tourism sector is fully privatized and many domestic and foreign investors have entered into the sector and carrying out activities. As of the first 11 months of 2004, more than 500 entities are dealing with tourism in Mongolia, 60 percent of which are foreign invested entities.

95. Mongolia is a member of the World Tourism Organization. In order to facilitate tourism, eliminate any barriers occurring with receiving tourists and ensuring their security, as well as to improve the legal environment of tourism, Mongolia has signed inter-governmental Agreements on cooperation in tourism sector with the Government of the PR of China, the Republic of Korea, India and Kyrgyz Republic.

96. The Government of Mongolia encourages environmentally friendly tourism development policy, preserving national history, cultural heritage and custom, and furthermore is planning to implement measures aimed at setting up tourism camps that meet international standards and service requirements, intensifying the development of domestic tourism and reducing seasonal reliance.

Multilateral Trade cooperation

A. Mongolia and the World Trade Organization

97. Mongolia has continuously been encouraging multilateral trading system. Mongolia has, in the past, pursued a more open and liberal trade policy, eliminating step-by-step trade barriers by cutting high tariffs and reducing non-tariff measures. Although these measures resulted in the increase of the number of our trading partners and the advantage for Mongolia to trade with other countries on MFN-basis, our trade deficit does not decrease. This, in major part, is related to the high tariffs and tough non-tariff measures maintained by our trading partners. As such, due attention was paid to the use of advantages of multilateral trading system and strengthening the national capacity. Despite the successful implementation of a German-funded project on International Trade Policy/WTO, considering the complexity of the WTO agreements, additional technical assistance is required to ensure the full implementation of the agreements.

The Doha Development Agenda

98. The Government of Mongolia is convinced that trade liberalization plays and should play a vital role in improving the living standards of not only Mongolians, but the world population as a whole, and fighting poverty and positively affect the development of all countries. From this point of view, the Government is working to make the necessary contribution to successful implementation of the Doha Development Agenda.

Agriculture

99. Agriculture as one of the essential components of the DDA is an influential part in building a fair trading system. Agriculture, specifically livestock, is the major economic sector of the country. Therefore, the Government attributes major importance to the liberalization of trade in agriculture. In the past, the Government has eliminated export subsidies and domestic support systems in the sector and imposed a single tariff of 5% across the board, except for certain strategic goods, on which seasonal tariffs are followed. The support measures have been taken within the framework of the Green Box and the Agricultural Agreement requirements.

100. High tariffs, strict sanitary requirements, as well as huge export subsidies and domestic support provided to the sector by the developed and some of the developing countries create unnecessary barriers to access their markets and increase agricultural exports of developing countries. It is more than necessary to take measures directed towards improving the quality of agricultural products of mainly developing countries, thus increasing their competitiveness. For this purpose, more technical assistance is sought from donors. In addition, a joint effort is called to make the unnecessary barriers to trade, in terms of standards and other requirements, appropriate.

101. In agricultural negotiations Mongolia, as a developing country, has in the past and will maintain and support the issues related to food security, rural development and environment.

Non-agricultural market access

102. The Government of Mongolia is in support of "negotiations, which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries" as stipulated in the Doha Declaration. Mongolia, despite the deficit of its budget, within its commitments and to comply with the WTO agreements, maintains a single duty rate of 5% on almost all products across the board that is a fairly low rate compared to other countries and it is of the position to cut the tariffs in differentiated form for non-agricultural goods, in other words, high tariffs should be subject to more reduction.

Services

103. Since its accession to the WTO, Mongolia has not taken additional commitments in services. In the services negotiations, Mongolia has not yet expressed its positions, although it carefully studies the

process of negotiations and the positions of other countries. In the future, the Government intends to work more actively in this sector to express the Government's views and ideas upon it.

104. It is appropriate that the negotiations in services be directed towards ensuring the promotion of all participants' economic growth, as well as the development of developing countries and the land-locked developing countries in particular. At this point, the Government of Mongolia is of the position that the negotiations should be directed to open the markets of developed countries to developing countries in terms of the issues related to the movement of the population and increasing the types of services.

105. At present, markets for trade in services are open in Mongolia and the country does not maintain other types of barriers therein.

106. In developing countries the level of quality, standards and technical regulation is relatively different and the capacity is lacking. Therefore, more technical assistance is required from international organizations and donors.

Trade facilitation

107. This is an issue that has a particular importance in increasing trade especially for Small Island and land-locked developing countries with vulnerable economies. The Government of Mongolia has always maintained a pro-trade facilitation position.

108. Transit transportation costs for land-locked developing countries is relatively high (double) than for countries with access to the sea. Thus, the Government of Mongolia considers that provision of special and preferential tariffs for transportation by transit countries to land-locked developing countries would greatly contribute to fair competition.

109. The provisions in Articles V (Freedom of transit), VIII (Fees and Formalities connected with Importation and Exportation) and X (Publication and Administration of Trade Regulations) of the GATT have very specific significance in trade expansion.

110. Removing technical barriers to trade and reducing non-tariff measures will further contribute to trade liberalization and making trade freer in this globalizing world. Once again, the Government of Mongolia notes the necessity of technical assistance to build the capacity of developing countries in this particular issue. In the past, the Government of Mongolia jointly with the WTO and the ITC organized a national seminar on trade facilitation; as well it invited experts from these organization and the UN for making recommendations to the Government.

Rules

111. With regard to anti-dumping, subsidies and countervailing duties, Mongolia has not up to now taken any measure against any country and no country has taken similar measures against Mongolia. Presently, the Government is working on draft laws on these issues. Within the framework of the WTO Agreements on Anti-Dumping and on Subsidies and Countervailing Duties, it is necessary to refine the domestic rules and regulations and relevant laws need to be drafted. The Government considers that the implementation of present WTO Agreements and commitments, more and effective technical support is required in general.

Intellectual property rights

112. Since its accession to the WTO, Mongolia has attributed due importance to the implementation of the TRIPS Agreement, thus bringing the national legislation into compliance with the Agreement and acceding to international IP conventions. In 1999, the Patent and Copyright Laws were amended and in order to ensure the implementation of IP laws, State IP Inspection Unit was established in 2000. A new law on Trademarks and Geographical Indications was adopted in 2003. Mongolia became a party to the Berne Convention for the Protection of Literary and Artistic Works in 1998 and in 2002,

the decision was made to sign the WIPO Copyright and Phonogram Producers Treaties. However, there remain difficulties in the implementation of some of the provisions of the TRIPS Agreement, namely with regard to the control of IPR-infringing goods, strengthening the border control for and border measures against such goods. In this relation, technical assistance is required from the WTO in these particular enforcement measures.

Special and differential treatment

113. S&D treatment, as one of the major instruments of the multilateral trading system to diminish the disparities in development between the Member States, it is considered that it should have a legally binding effect on all Members.

Other negotiation issues

114. The Government of Mongolia supports the notion that multilateral rules on Singapore issues on investment, competition, trade facilitation and transparency in government procurement will further facilitate a more predictable global trade. The Government of Mongolia is supportive of the inclusion of trade facilitation in the DDA. Nonetheless, with regard to other Singapore issues, the Government is of the view that they need to be further examined within the WTO work programme.

115. Mongolia is a land-locked country with small and vulnerable economy, dependent upon few export items. Therefore, Mongolia was one of the initiators for establishing a group of land-locked developing countries within the WTO. At the Fifth Ministerial Conference of 2003 in Cancun, a communique was distributed by a group of land-locked developing countries.

B. Regional cooperation

116. Besides supporting and promoting the principles of the multilateral trading system, the Government of Mongolia it attributes due importance to the regional cooperation in the Asia and the Pacific. At present, Mongolia is the sole country that does not belong to any of the regional agreements. However, the Government attentively follows the activities of the ASEAN, the APEC and the PECC and maintains the observer status in some of them. As well, Mongolia participates in the economic cooperation in North-Eastern and Central Asian countries. The accession to the Bangkok Agreement is being carefully studied. In the future, it is intended to ensure a more active participation of the country in working groups of the APEC and possible accession to it.

C. Free trade agreements (FTAs)

117. It is noted herein that the support from the bigger trading partners of the country plays an important role in the development of trade relations of such countries like Mongolia, land-locked with small and vulnerable economy and dependent on external trade. As such, the Government is making efforts to resolving trade issues that are hindered within multilateral trading system through bilateral mechanisms. For instance, the initiatives are being made to launch the negotiations of free trade agreements with our major trading partners such as the US, the EU and others.

D. Free trade and economic zones

118. With the objectives to increase trade, attract more investment and promote export-oriented industries, the Government is working towards establishing free trade and economic zones, as well as industrial and technological parks. The legal basis for such endeavours has been established by adopting the General Law on Free Zones, the Laws on the Legal Status of Altanbulag (in the northern border) and Tsagaannuur (the western part) FTZs and of Zamyn-Uud (southern border) FEZ in 2002, 2003 and 2004 respectively. "The Concept to Develop Industrial and Technological Parks" was approved by the Parliament Resolution No.54 of 2003.

Future trade and economic policy directions

119. Mongolia chose to develop a democratic society with market economy and since 1990 up to now, it has been striving after this goal. Within the framework of this objective, the pursuance of a policy to develop freer trade and economic relations has resulted in the stabilization of a macro economy. To strengthen these positive results, ensuring further stabilization of the economy and its growth remain the objective of the Government.

120. The new Grand Coalition Parliament and the Government formed as a result of the 2004 elections are working in the absolutely new conditions. In its Action Programme for 2004-2008, the Government aims to "deepen legal reforms in all spheres of political, economic and social life, sustain higher rates of stable, private sector-led economic growth by providing support for access to new markets on the basis of knowledge and information, and by implementing a regional development concept to reduce disparities in development between urban and rural areas".

121. Within the framework of the above objectives, the Government aimed to maintain the economic growth at 6% annually through increasing exports and FDIs, promote industrial, agricultural and service sectors and diversify exports, create a more favourable and reliable environment for investment and to ensure economic growth through a more active external trade policies.

122. To meet these goals, a draft concept to develop the country's external trade in the near future has been formulated. The concept reflects the purpose of developing and increasing trade relations of the country with our trading partners, strengthening regional and multilateral trade and economic cooperation, as well as with the WTO, pursuing the policy of promoting the production of final products and their exports and refining the legal environment. The concept is to be submitted to the Government in the near future. In accordance with the concept, it is aimed to increase trade turnover by the end of 2008 by 1,5 times compared to that of 2003, increase export sources to not less than USD 100-150 million yearly from 2006, maintain the share of exports in the GDP at no less than 60%, increase the FDIs by the end of 2008 by 2,2 times compared to 2003, pursue a more flexible import duty rates, promote trade facilitation and make the flow of trade freer by eliminating barriers to trade.

**ANNEX E: GOVERNMENT OF MONGOLIA'S DRAFT DOCUMENT TRADE AND
DEVELOPMENT CONCEPT TO 2015**

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Government of Mongolia

Trade and Investment Development Concept to 2015

The Government of Mongolia, through appropriate policy development, implementation and coordination, aims to encourage stable economic growth, export-oriented production, and domestic and foreign direct investment. The *Trade and Investment Development Concept to 2015* sets out the Government's objectives and policy priorities and explores the options for action.

Introduction

Mongolia has achieved much since 1990, but major challenges remain to secure sustainable growth.

Role of trade and investment in development and poverty reduction

Mongolia is a small economy with less than 3 million people scattered over a large, mostly arid, landlocked territory. Our main challenge is to build on our strengths and minimise our weaknesses in order to achieve sustainable development and satisfactory living conditions for our people.

Mongolia has much strength: a proud history and culture; vast, largely unexplored mineral resources; untapped agricultural and tourism potential; high literacy rates; and - not least - land links to large, fast-growing markets.

In fact, Mongolia's strategic position between Russia and China is seen by many as a major strength. Trade with these countries - and transit through them to trade with others - will play an important role in taking our economy forward, creating new opportunities for Mongolians to tie into the rest of the world. Foreign investment, currently largely focused on mining, will contribute to opening new 'silk roads', bolstering infrastructure, contributing technology and hastening more efficient links with neighbours and distant markets.

Each Mongolian has a role to play in enabling our country to realise its potential. The role of the Government is primarily to provide the right policy framework and business environment to allow the private sector - local as well as foreign investors - to get on with doing business and creating jobs and opportunities.

Objectives

To encourage trade and investment, the Government has three major objectives:

- 1. to create a strong enabling environment for business**
- 2. to improve Mongolia's productive capacity and quality; and**
3. to improve market access for Mongolian products through strategic negotiations and international relations,

Priorities

I. Healthy Environment for Business

Governments and business people around the world agree that the business climate is an essential determinant of investment flows, and that it ranks higher in the list of criteria than incentives. Both local and foreign entrepreneurs are more likely to invest where the following conditions exist;

- stable, predictable, transparent and consistent laws, rules, regulations and decisions
- strong institutions to enforce the rule of law
- limited red tape and discretionary powers
- good access to information, finance and infrastructure
- sufficient and appropriate skilled workers and professionals
- appropriate support mechanisms to meet international standards and norms.

What Government will do

1. Continue to amend relevant laws and regulations, and adjust administrative practices, with a view to drastically reducing red tape and other barriers to business and trade (eg, streamlining bureaucracy and bureaucratic procedures, easing trade licensing requirements, automating customs procedures, etc).
2. Evaluate investment incentives and preferences, with a view towards adopting a policy that will serve the long-term national interest, apply equitably to both domestic and foreign investors, and not lead to distortions in the marketplace.
3. Adopt a tax policy that is conducive to business development (eg, a single flat tax rate).
4. Draft legislation on countervailing duties, safeguards and antidumping remedies and submit to Parliament for adoption.
5. Encourage the use of internationally recognised standards, norms and quality controls by facilitating the necessary legal and institutional arrangements, including appropriate international instruments and testing and certification facilities (banking, financial, accounting, industrial, sanitary and phytosanitary, and others).
6. Support strong and independent competition, consumer protection, intellectual property protection and other regulatory institutions. Ensure that they and judicial authorities have the legal and practical ability, as well as the will and wherewithal to enforce the rules.
7. Fast-track where possible infrastructure roll-outs to ensure that the whole country is linked into suitable transport, telecommunications and energy systems/grids by 2015. Encourage private investment in related services and promote pro-competitive principles.
8. Complete transport and transit agreements with China and Russia to facilitate access to both neighbouring and distant markets. Pursue border, transit and related issues in multilateral trade facilitation and transport services negotiations.
9. Negotiate air services agreements to ensure timely delivery of high-value items to time-sensitive markets (eg, wool, fashion, food).

10. Establish the necessary coordination mechanisms among government agencies and the private sector to ensure that the ICT Strategy and E-Commerce Strategies are implemented in a timely fashion and that they meet all stakeholders' evolving needs.
11. Review the General Law on Free Zones to determine if amendments are required in relation to the roles of foreign and domestic investors in the establishment and management of the Zamyn-Uud free economic zone, and in the proposed trade, production, service and infrastructure projects in the Altanbulag free trade zone.
12. Consult experts and study overseas experience to ensure those free zones and industrial and technological parks contribute to sustainable development.
13. Evaluate import policy to determine if tariff levels reflect development priorities. Mongolia's WTO commitments give it flexibility to increase import tariffs from the current average applied rate of 5% to 20%. Generally, in-countries encouraging industry development, capital goods and many industrial inputs enjoy lower tariffs than consumer goods.
14. Take the necessary policy decisions to ensure that companies have access to sufficient and reasonably priced business and trade finance and insurance, and access to risk management expertise.
15. Liaise closely with business and potential foreign investors to determine which sorts of skills will be needed to achieve national development objectives, and ensure that educational institutions' curricula reflect these needs. Invest in vocational education (eg, science and technical universities). Explore other ways of developing and upgrading skills and professional knowledge (eg, apprenticeships, specialised study overseas, etc).
16. Conclude Investment Promotion and Protection Agreements with strategically selected countries to provide an attractive and transparent foreign investment framework.
17. Study international 'best practice' in foreign investment policy, promotion and management, and adapt the aspects most suited to Mongolia's national interest.

II. Export-Oriented Industries

In order to ensure sustainable economic growth and healthy trade accounts, the Government's industry policy will focus on:

- making the most of Mongolia's comparative advantages
- improving Mongolia's capacity and competitiveness to meet the demands of local and overseas markets

What Government will do

In parallel with the actions described above (under "Healthy Business Climate"), the Government will focus on the following industry-related priorities:

1. Improve consultation and coordination among government agencies, the private sector and others by establishing an "Industry 2015" task force to set priorities and expedite action.

Economic Policy Reform and Competitiveness Project

2. Provide the institutions and resources to actively encourage intellectual property and traditional knowledge registration, protection and utilisation (eg, encourage development of new products based on traditional knowledge or drawn from traditional products - eg, medicinal, cosmetic and aromatic herbs and plants, dairy products, animal products, etc).
3. Design and carry out branding and trademark strategies to certify and promote high-quality Mongolian produces and export markets (eg, 'the world's finest cashmere', the most 'clean and green' plant and animal products, etc).
4. Establish internationally accredited inspection, testing and certifying facilities, and facilitate access to them.
5. Identify and strongly promote high-value niche products for niche markets (eg, high-quality 'designer' cashmere, fur and leather products; organic herbs; etc, etc).
6. Enlist leading overseas designers and buyers to provide expert advice on quality control, design and marketing.
7. Assist herders and farmers to improve the quality of animals and crops, through selective breeding, careful husbandry, feeding, disease control, etc. This will require education and training, communication and awareness-building programmes, technical support, reward systems, mobilising successful producers to propagate 'change through example', purchasing networks, etc.
8. Assist companies to raise their international competitiveness by facilitating access to:
 - a. finance
 - b. productive work force
 - c. business planning services
 - d. raw materials
 - e. technology
 - f. processing and packaging equipment and 'best practice'
 - g. quality controls
 - h. buyers (who can work directly with firms on quality control, design, market trends, etc).
9. Commission rigorous studies to determine where Mongolia has, or may be able to develop, a competitive advantage in on-processing of mineral and agricultural products, including evaluating supply and demand trends and costs vis-a-vis neighbours, regional and more distant markets.
10. Study carefully how to best take advantage of China's proximity and how to integrate into the raw and processed materials supply chain of its fast-growing industrial sector.
11. Work in close partnership with the private sector (eg, via Chambers of Commerce):
 - to assess and meet producers' and exporters' needs
 - to identify impediments and address them (eg, trade facilitation)
 - to improve awareness of Mongolian export potential through targetted information dissemination, training, marketing, promotion and electronic commerce
 - etc, etc

12. Enlist Mongolian Embassies in securing market feedback, planning offshore promotional activities, working commercial promotions into other activities (eg, tourism fairs, cultural events, fashion shows, etc).
13. Participate in international commodity and raw material exchanges *a quel bur?*
14. Facilitate SME exporters' access to soft loans, credit guarantees, insurance and risk management support.

Performance Indicators

What do we want to achieve by 2015?

Mongolian products well regarded in international markets

Mongolian business people acclaiming the Government as a good partner in trade and industrial development

Growing presence of quality foreign investors in turn attracting additional 'quality FDI'

Good economic and political relations with neighbours; no outstanding transit issues

Positive trade balance

Exports reaching 60% of GDP through a good mix of raw materials, food products, light industry and high-value niche products (export revenues rising US\$100-150 million per annum from 2006)

Mining

The key issue for Government is how Mongolia's mineral wealth can best contribute to sustainable economic and trade development. What is the optimum 'win-win' formula for both Mongolia and mining companies? These issues are not new; they are common for all countries with mineral wealth and are the subject of much debate. This year, APEC Mining Ministers are delving into these issues, examining good practices in such things as:

- role of government
- role of mining companies
- exploration contracts
- exploitation contracts
- environmental protection
- fiscal issues (taxation, royalties, incentives, stabilisation arrangements, etc)
- etc, etc.

The Mongolian Government will follow closely these debates and discussions.

Tourism

The key issue for Government is how Mongolia can capitalise on its natural attributes and its history and culture to increase inbound tourism, which not only generates foreign exchange revenues, but also provides a ready outlet for Mongolian products and enhances awareness of Mongolia overseas.

What Government can do

(A few comments follow based on my own experience hi Mongolia; probably a lot of this is already happening.....)

Economic Policy Reform and Competitiveness Project

1. Enlist overseas and local tour operators (and foreign residents) in assessing needs and devising innovative development ideas (maybe a "Tourism 2015" task force?).
2. Improve domestic and international transport links and frequencies with major tourism markets.
3. Ensure that overseas and local travel agents and tour operators are aware of such links.
4. Ensure high standards of aviation safety,
5. Strengthen 'service culture' through training, good management and quality control.
6. Foster minimum English-language skills among tourism, hospitality and transport service personnel (incorporate into school curricula, plus offer special courses and TV programmes focusing on tourism vocabulary and situations).
7. Supply English-language signage in public areas and tourism establishments (eg, assist theatre to introduce music concert in English, as well as Mongolian; increase English-language explanations in museums, etc)
8. Establish and enforce standards and quality controls for tourism and hospitality establishments (eg, licensing and inspection; European 'star' standards).
9. Establish hotel management modules at universities (meeting accreditation standards).
10. Establish restaurant management training courses at vocational education institutions (meeting accreditation standards).
11. Require travel agencies and tour operators to meet minimum standards through licensing.
12. Encourage 'transparency' in tour services and pricing.
13. Strengthen credit card networks.
14. Invest in and maintain existing tourism infrastructure (museums, shrines, temples, archeological remains, historical places, scenic spots, etc, including access, signage, sanitary facilities, rubbish disposal, etc).
15. Develop new infrastructure to meet demand and to encourage new types of tourism (eg, trekking circuits, outdoor ice skating rink in central UB, etc).
16. Evaluate seriously how to extend the tourist season beyond summer (autumn colours viewing? ice sculpture festival? cultural events? stargazing? wild animal viewing? photography?, etc) as this will be the only way to ensure that the private sector invests more heavily in infrastructure and services.

III. Participating Effectively in International Trade

14. The key challenge is to facilitate access to markets abroad for Mongolian products and services. The government can do this through various instruments:
15. multilateral negotiations
16. regional negotiations
17. bilateral negotiations.
18. At present, Mongolia's priorities are; (1) to get the most out of current WTO negotiations; (2) to examine how membership in particular regional groupings could advance our interests and take appropriate action; and (3) to advance specific interests through bilateral negotiations. The challenge is to build up a solid corps of expertise on trade policy and practice, and to optimise negotiating capacity.

Defining Negotiating Interests, Priorities and Strategies

Identify priorities by sector
Tie to national policy goals and interests
Tie to multilateral, regional and bilateral goals and interests
Identify items of 'special interest'
Set objectives for these in negotiating context
Develop negotiating strategies for each sector ('offensive' and 'Defensive')
Develop positions, bearing in mind all players' key interests
Determine 'bottom lines'
Constantly refine approach (tactics, strategy) during negotiations

Mongolia and the Multilateral System

Mongolia joined the World Trade Organization in 1997. The organization now has nearly 150 members, which together account for virtually all of world trade. The WTO provides a legal framework for 'rules-based trade', so that all members' trade under the same set of rules based on the principles of transparency and nondiscrimination. WTO market access negotiations aim at progressive liberalisation. Concessions granted to one member in WTO negotiations apply to all members, and developing country members receive 'special and differential treatment' to allow them flexibility in implementing liberalisation commitments. Developing countries broadly agree that the WTO gives them a more balanced forum for negotiating with developed trading partners than bilateral or regional trading arrangements.

The WTO currently offers Mongolia an excellent opportunity to pursue key interests via three concurrent proceedings;

Trade Policy Review: first quarter 2005

Doha Round Negotiations: to end-2006 (at earliest)

Accession Negotiations (Russia, Kazakhstan, Ukraine, Byelorussia).

Mongolia's first **Trade Policy Review (TPR)** since it joined the WTO will be held during the first quarter of 2005. All members are subject to TPRs at regular intervals and must respond to intense peer scrutiny of economic and trade policy management and progress on reforms. This presents both an opportunity and a challenge - an opportunity to raise awareness of Mongolia as a

trade and investment partner, to share its experience with transition to a market economy, and to raise issues confronting landlocked developing countries. The challenge is to take full advantage of this opportunity. To meet that challenge, the government is:

- setting up an effective interagency consultation and coordination mechanism to ensure smooth, timely and consistent information flows to and from the TPR management team in the Ministry of Industry and Trade
- establishing close consultation linkages with the private sector, especially with regard to awareness-building strategies
- planning to take the opportunity of Mongolia's official TPR statement to deliver clear messages re Mongolia's transition experience and the challenges ahead, especially for landlocked developing countries
- planning appropriate media strategies.

It is foreseen that these consultation and coordination mechanisms will evolve into an 'umbrella' Trade Policy Consultative Group, which will be able to assist in broader WTO negotiations, regional and bilateral negotiations, and policy development in general.

Benefits of the Multilateral System

- Easier to manage multilateral rules, rather than multiple regional and bilateral ones
- More level and predictable playing field
- Like playing football with one set of rules for everyone - not a different set for each team or each grouping of teams
- A framework for working out disputes

Doha Round, which was launched in late 1991, offers Mongolia a variety of ways to pursue key market access interests in the services, agriculture and industrial goods sectors, as well as those related to trade facilitation and landlocked developing country issues.

The Government is carefully selecting, in consultation with stakeholders, areas to focus on in following sets of negotiations:

Services negotiations: an opportunity to pursue improvements in such areas as transport and distribution services, energy services, tourism, treatment of temporary-migrant service providers, etc, etc). The Government will engage in targeted bilateral request and offer negotiations to ensure that Mongolia's interests are reflected in the final multilateralised outcome.

Agriculture and Non-Agricultural Market Access (NAMA) negotiations'. The Government will decide which products require defensive strategies (protection at home) and which require offensive strategies (better market access abroad) and will analyse how to get the best result from the proposed negotiating approaches. A key aim will be to secure lower tariffs on products of special interest, elimination of overseas export subsidies on products competing with Mongolian exports, and reduction of other barriers to trade affecting Mongolian exports. In this context, the Government also intends to address food security, rural development and preferences concerns,

Trade Facilitation: The Government will participate actively in the negotiations on trade facilitation to address a list of pressing trade facilitation/transit issues.

Landlocked Developing Countries: Mongolia will continue to play a leading role in the Landlocked Developing Countries Group and will work closely with other developing country groupings to ensure that key objectives are included in the various negotiating agendas, and that concrete results emerge on a variety of fronts as negotiations intensify.

The **Accessions to the WTO** of Russia, Kazakhstan, Ukraine and Byelorussia offer excellent opportunities to pursue important bilateral and regional interests. These negotiations are very important for Mongolia, as they will bring major trading partners and transit countries under the same set of rules, creating a more predictable trading environment and offering an objective forum for addressing disputes. The Government of Mongolia is participating actively in the accession negotiations, along with many other countries.

Technical Assistance: To meet the challenge of participating effectively in these negotiations, the Government will seek WTO and other assistance to strengthen Mongolia's trade policy development and negotiating capacity, through training, targeted advice and analyses.

Regional Relations

While acknowledging that the multilateral system is its best bet in the long run, Mongolia, like other countries, is studying how regional and bilateral trading arrangements could complement WTO gains, by advancing particular sectoral interests and achieving faster and broader liberalisation ('WTO-plus' agreements).

Because negotiating and sustaining regional and bilateral agreements is very resource-intensive (in financial and human terms) and because Mongolia's open economy doesn't allow much room for trade-offs, the Government will carefully study the costs and benefits before committing to negotiations. And then it will prioritise and sequence negotiations very carefully. These processes will involve:

- commissioning rigorous analyses of defensive and offensive interests on both sides (looking ahead, not behind, in terms of evaluating the potential of the bilateral or regional relationship) to determine potential negotiating positions, priorities and pressure points
- identifying potential benefits and likely costs of various negotiating scenarios (eg, will the agreement deliver enough benefits over, say, a 10-year period to justify the effort put into negotiating and sustaining it?)
- evaluating the chances of securing good concessions on key items (is it a negotiation between equals?)
- evaluating what nontrade elements will influence the negotiations
- exploring the alternatives (eg, seeking the same results via "WTO or other negotiations)

The Government, through the consultation mechanisms mentioned above, will involve the private sector and other stakeholders from the beginning, to ensure that their interests are met. However, it \v take care to ensure that no one private interest - on either side - unduly influences outcomes, Advance the national interest must be the bottom line.

The Government is currently contemplating:

- which, if any, Regional Trading Arrangements (RTAs) should Mongolia join?
- which, if any, Bilateral Trade Agreements (BTAs) should Mongolia explore?

RTAs under consideration:

- **Bangkok Agreement:** dating from 1975, a goods agreement including China (recently joined), India, Bangladesh, Lao PDR, Republic of Korea and Sri Lanka; recently agreed on harmonisation of rules of origin; attempting to revitalise and expand membership to become a region-wide preferential agreement.
- **Shanghai Economic Cooperation Agreement:** broad agreement among China, Russia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. Questions: does it have good potential; an action plan?
- **Asia-Pacific Economic Cooperation forum (APEC):** broad based, nonbinding liberalization agenda focusing on individual action plans. WTO-compatible. Members include Russia, China and the main Pacific Rim economies in Asia and the Americas, Waiting list for membership. Good value as a peer group that is advancing in a variety of areas, including mining and trade facilitation - areas of keen interest to Mongolia.
- **Northeast Asia Economic Cooperation** framework; concept under exploration, building on the Turn en River initiative. Could involve Mongolia, Russia, China, Japan and the Koreas, aiming for mutually beneficial economic integration.
- Other ways of capitalizing on existing relations and arrangements with ex-CIS countries.

Bilateral Trade Agreements under consideration:

- **Mongolia-US FT A:** Presidents agreed to initiate scoping studies. Mongolia would seek preferential access for textiles and apparel, as well as lower tariffs in other specific areas. US would seek intellectual property protection, perhaps services sector and investment concessions.
- Perhaps **Mongolia-China, Mongolia-Russia, Mongolia-Japan, Mongolia-South Korea** - if such FTAs were to focus on specific areas that would advance Mongolia's national interest (eg, import tariffs, quotas, transit and trade facilitation issues, various charges, nontariff barriers, FDI in priority sectors). [Note: a Northeast Asia agreement would cover similar issues and possibly bring greater benefits over the long run, providing strong commitment and full implementation were achieved.]

Bilateral Trade Relations

*Insert table illustrating trade balances & major imports and exports with main trading partners
Complete 'priority lists' below*

Mongolia- Russia

Russia, and especially Siberia, offers good trade potential (based on past experience), not reflected in current trade levels (trade balance in Russia's favour, due to imports of capital equipment and energy). In order to realise the potential, it is important to address tariff levels, transit and transport costs, trade facilitation issues, and nontariff barriers by:

- intensifying the work of the Mongolian-Russian Intergovernmental Commission's Trade Facilitation Working Group
- intensifying multilateral and bilateral negotiations in relation to Russia's accession to the WTO.

The Government also proposes to embark upon a strategic plan to expand trade with Siberia, studying thoroughly supply and demand trends in regional markets; developing production and cooperation strategies; establishing joint 'free zones' (economic and trade) to encourage border

infrastructure development and commerce; and negotiating suitable transportation and distribution arrangements.

The Government will work with Russian partners to renovate and enlarge the joint Mongolia-Russia

'Erdenet' mining venture, add value to its export products via processing and thus improve international competitiveness.

Another priority is to attract increased Russian investment to mining and other priority sectors.

Mongolia- People's Republic of China

Mongolia enjoys a positive trade balance with China thanks to exports of minerals and raw materials of animal origin. To increase trade, especially in value-added products, the Government will give priority to negotiating;

- reduction of tariffs and nontariff barriers, including border facilitation
- lower transport and transit costs
- improved quality and standards requirement on products imported from China (renegotiate existing agreements)
- amendments to bilateral sanitary and phytosanitary protocols and agreements
- transit through Chinese territory
- joint border development initiatives and bilateral cooperation on the establishment of free economic and trade zones, and industrial and technological parks.

Mongolia-Japan

Introductory sentence and the current trade and investment relationship; then: The Government's objective is to further develop relations with Japan by encouraging increased investment in Mongolia and diversifying the export base. Priorities include:

- contributing to Japan's review of its Generalised System of Preferences (GSP) and requesting inclusion of additional Mongolian products
- negotiating quota-free access to the Japanese market
- upgrading products to meet Japanese standards and quality requirements through close cooperation with standards and quality-certifying organisations
- raising Japanese consumers' awareness of Mongolian goods through targetted marketing strategies (eg, 'clean and green* organic foodstuffs, 'world's finest cashmere', etc) for textiles, clothing, wool and cashmere products, cathode copper, fluorspar, meat and meat products, alcoholic beverages and other foodstuffs
- developing strategies to secure increased Japanese investment in mining and oil exploration, chemicals production, export-oriented industry, and the information-technology and communications sectors.

The Government will also analyse the possibilities of a free trade agreement with Japan, and targetted technical assistance.

Mongolia - Republic of Korea

- Introductory sentence on trade and investment relations; then: Priorities include to:
- diversify exports to take optimum advantage of ROK's GSP scheme (eg, cashmere products, carpets, leather goods, foodstuffs)
- expand business contacts through technical cooperation, information exchange on business opportunities, strategies to attract investment, etc
- expand technical cooperation in terms of professional capacity building

- establish a joint working group chaired by the respective Trade Ministries to initiate studies on a possible FTA.

Mongolia - USA

Mongolia and the US recently concluded a Trade and Investment Framework Agreement, setting the stage for further market opening measures. Priorities include to:

- explore the potential benefits and costs of an FTA with the US
- contribute to the US GSP review and seek broader GSP coverage for Mongolian products
- negotiate preferential conditions for Mongolian textiles exports
- develop strategies to diversify exports to the US
- seek increased US investment in priority sectors
- seek further US cooperation in trade-related capacity building and institutional strengthening.

Mongolia - Canada

Introductory sentence on trade and investment relations, then; Priorities i. elude:

- GSP coverage for Mongolian products??
- to secure reduced tariffs for cashmere products
- to develop targeted strategies to diversify exports to Canada
- to conclude an Investment Promotion and Protection Agreement
- to secure further Canadian investment in the mining and minerals sector
- to obtain CIDA assistance in trade-related capacity building and institutional strengthening.

Mongolia - European Union

- Introductory sentence on trade and investment relations; then: Priorities include:
- improving quality and delivery to supply time-sensitive segments (eg, fashion, perishables)
- negotiating faster and cheaper transport to European markets (via Russia)
- raising EU consumers' awareness of Mongolian goods through targeted marketing strategies (eg, 'clean and green' organic foodstuffs, 'world's finest cashmere', etc) and sufficient reliable supplies
- capitalising on the EU's 'all but arms' initiative to increase and diversify exports
- developing highly targetted strategies to attract EU investment to high-priority sectors
- enlisting EU technical cooperation to advance these strategies.

Draft /unofficial translation/

Annex 1

Foreign Trade Development Concept of Mongolia in the Near Future

Foreign Trade Development Concept of Mongolia until the year 2015 aim, as set out by the Government of Mongolia, to promote and develop export-oriented production, increase foreign direct investment and ensure stable economic growth through appropriate foreign trade policy and its coordination. They also aim to decrease trade deficit through attaining appropriate ratio between exports and imports and with that purpose to fuller utilize the advantages of international trade.

The objectives of foreign trade policy to be pursued in the near future are as follows:

1. To follow sound economic and trade policy directed towards ensuring rapid increase of mining and light industry production and exports therefore and take appropriate measures aimed at increasing trade turnover by 1.5 times in 2008 compared to that of 2003. Such measures include the implementation of major projects as the establishment of free economic and trade zones, industrial and technological parks;
2. To increase export resources by USD 100-150 mil. per annum from the year 2006 as a result of the policy directed towards the promotion and increase of new export goods and services;
3. To take the necessary measures to ensure the increase of exports in GDP by not less than 60%;
4. To promote foreign direct investment, increase its impact on economic development and take all necessary measures to increase the level of FDI inflow by 2.2 times in 2008 compared to the level of 2003;
5. To pursue appropriate and flexible import tariff policy; and
6. To further facilitate trade through step-by-step measures to eliminate barriers and obstacles faced by traders and investors.

A. Intensification of the Work Directed Towards the Development of Bilateral Trade Relations of Mongolia and Other Foreign Countries

Mongolia-Russia

Trade between Mongolia and the Russian Federation is at deficit for Mongolia and the accessibility of Mongolian export goods to Russian market remains to be limited. Considering that imports of equipment and machinery for petroleum, power and industrial production purposes from Russia have a negative impact on the balance of trade and with the purpose of trade expansion between the two countries, specifically increase of Mongolian traditional export goods and their diversification, take and implement the following measures:

- Intensify the negotiations of the Trade Facilitation Working Group under the Mongolian-Russian Intergovernmental Commission and pursue the policy, which aims at a more positive outcome from multilateral and bilateral negotiations in relation to Russia's accession to the World Trade Organization /WTO/. This includes the reduction of proposed and existing import tariffs of the Russian Federation on Mongolian export goods and transit transportation costs and the elimination of other non-tariff barriers;
- Expand trade with Siberian regional subjects that takes a significant portion of Mongolian-Russian trade, further increase our exports to these subjects and in this connection, study thoroughly the market of the region, particularly the existing and potential capacity of its exporters, importers and producers. On that basis, develop and formulate cooperation policy with the subjects in the region;
- Establish and develop free economic and trade zones, increase the involvement of Russian Federation's subjects in the establishment and construction of zones, attract investment therefore and further increase trade in free zones;

- Renovate and enlarge Mongolian-Russian joint-venture "Erdenet", add value on its export products, thus, improve their international competitiveness;
- Attract Russian investment to mining and other priority sectors and ensure its increase.

Mongolia-People's Republic of China

As for the balance of Mongolian-Chinese trade, it is positive for Mongolia. Nevertheless, the majority of Mongolia's exports to China are minerals and raw materials of animal origin. To increase trade between the two countries, below-mentioned measures need to be taken:

- Increase step-by-step the exports of value-added products;
- Increase quality and standard requirements on products imported from China and, with that purpose, renegotiate bilateral agreements in force in that respect;
- Continue to work on the reduction of tariffs and other non-tariff barriers existing in trade relations between the two countries, including transit transportation costs;
- Make amendments to bilateral sanitary and phyto-sanitary protocols and agreements and negotiate improved access for Mongolian agricultural products to Chinese and other countries' markets via transit through Chinese territory;
- Increase bilateral cooperation on the establishment and implementation of free economic and trade zones, industrial and technological parks, negotiate preferential conditions for trade through these zones;

Mongolia-Japan

- Increase Mongolian exports to Japan both in terms of quantity and diversity of products, specifically textiles, clothing, wool and cashmere products, cathode copper, fluorspar, meat and meat products, alcoholic beverages, chihher uvs /herb/ , chatsargana /fruit/, etc.;
- In connection with the review of the Japanese GSP system, study and submit a petition to include more Mongolian export products;
- Produce products that meet the standards and quality requirements of Japanese consumers, raise the awareness of Japanese consumers on Mongolian export goods and closely cooperate with respective standard and quality certifying organizations;
- Negotiate quota-free access of Mongolian export goods to the Japanese market;
- Work to increase Japanese investment in mining and oil exploration, export-oriented SMEs, chemical industry, information technology, communications and tourism sectors;
- Study the possibility of negotiating a free trade agreement with Japan.

Mongolia- Republic of Korea

- Increase exports from Mongolia to the Republic of Korea, in particular cashmere goods, carpet, leather goods, meat, raw and preserved, and plant-originated products in terms of quantity and diversity;
- Continue the work on the inclusion of Mongolian export goods in Korean GSP scheme;
- Increase the cooperation in technical sector, improve the exchange of information on investment and business environment and organize business meetings, seminars and workshops with a view of expanding business contacts;
- Set up a joint Working Group chaired by Trade Ministries of the two countries and commence the preparatory work in relation to negotiating a free trade agreement;
- Expand cooperation with the Trade Ministry and other respective organizations of the Republic of Korea with a view of building the capacity and training of Mongolian trade professionals.

Mongolia-USA

- In relation to the review of the US GSP scheme, submit a petition with a view of increasing the coverage of Mongolian export products under the scheme;

- Continue the talks with regard to the possibility of negotiating preferential conditions for textiles exported from Mongolia;
- Seek opportunities of exporting new products to the US;
- Conclude a Trade and Investment Framework Agreement /TIFA/;
- Intensify the work of the joint Council chaired by trade ministries of the two countries towards negotiating a free trade agreement with the US.

Mongolia-Canada

Expand economic and trade cooperation between Mongolia and Canada. For that purpose:

- Continue talks with regard to attaining a tariff reduction on Mongolian cashmere goods;
- Work towards increasing Mongolian exports to Canada;
- Work towards concluding a bilateral Agreement on the Promotion and Mutual Protection of Investment;
- Study the possibility of negotiating a free trade agreement with Canada.

Mongolia-European Union

- Further increase trade and economic cooperation with the EU and work towards attaining a "market economy" status for Mongolia;
- Carefully choose projects for ALA funding and seek the increase of funding;
- Increase Mongolian exports, specifically of ecologically clean products, on the EU market;
- Create a more favourable environment for investment from EU member-countries.

B. Cooperation of Mongolia and the World Trade Organization

- With the purpose of implementing the commitments of Mongolia under the WTO and using the advantages of participating in the multilateral trading system more effectively,
 - protect the interests of Mongolia in the Doha round of multilateral negotiations, in doing so, ensure close cooperation with other land-locked countries, small and vulnerable economies in ensuring and enjoying lower tariff rates and other special preferences;
 - work on bilateral and multilateral negotiations with Mongolia's trade partners acceding to the WTO with a view of obtaining tariff and transportation cost reductions on Mongolian exports;
 - ensure active participation in Tumen Region Programme and promote multilateral trade and economic cooperation mechanisms in North East Asia region.
- Conclude a General Agreement on Transit Transportation with the People's Republic of China and Russia and join other transit transportation agreements in force in neighbouring countries;
- In order to increase the participation of Mongolia in the WTO, establish non-permanent sectoral policy and coordination bodies and set up a governmental body in charge for the Organization;
- Ensure active participation in the new round of negotiations of the multilateral trading system under the WTO with a view of protecting the specificities of the country and common interests of developing countries, in particular full access of developing countries' exports to the markets of developed countries and work towards the inclusion of such provisions in relevant agreements on tariff reduction and exemption, preferential treatment and transit transportation that are supportive of interests of developing countries;
- Actively cooperate with small economies and land-locked developing countries and other common-interest groups within the WTO.
- Work towards the elimination of international trade barriers within the framework of multilateral trade negotiations and utilize the dispute settlement mechanism of the WTO.
- Cooperate with China under the WTO system on those issues that are of interest to our country.
- Support the accession of the Russian Federation to the WTO.
- Carry out bilateral negotiations on tariffs and other relevant matters with Kazakhstan, Ukraine and Belorussia in relation to their accession to the Organization.
- In accordance with the commitments of Mongolia, submit notifications in due time.

- Cooperate with the Organization on building the capacity of national professionals in WTO matters and increase technical assistance provided by the Organization.

C. Cooperation of Mongolia and Other International and Regional Trading systems

Study the possibility of Mongolia's accession to the following international trade and economic cooperation agreements and their impact on Mongolian economy:

- Олон улсын худалдаанд хэрэглэгдэх хөөн хэлэлцэх хугацааны тухай 1974 оны Конвенц
- Бараанд хил дээр хэрэглэх хяналтыг нийцүүлэх олон улсын Конвенц
- 1972 Convention on Containers;
- Global system of preferential treatment among developing countries.

Actively cooperate with other countries on the protection of interests of land-locked developing countries.

Improve cooperation with UN specialized agencies, such as UNCTAD, UNIDO and ESCAP, ensure the receipt of assistance and the employment of Mongolian citizens in these organizations.

To expand its trade and ensure its participation in Regional Trade and Free Trade Agreements, Mongolia shall accede to such agreements as appropriate and, if necessary initiate similar types thereof. The participation of Mongolia in regional trade and economic cooperation shall be identified in-between the following lines:

- Actively participate in the Asia, Pacific regional trade and economic cooperation;
- Under the Bangkok Agreement, attain tariff reductions from its member countries, negotiate on cooperation in non-tariff trade facilitation measures, trade in services and investment;
- Ensure active participation in the cooperation with APEC and its working groups;
- Work to satisfy APEC membership requirements, seek for opportunities of accessing the markets of Asia, Pacific countries through APEC, increase the country's exports to these countries, attract their investment and increase economic and technical cooperation with them;
- Study the possibilities of involvement in projects, programmes and cooperation with ASEAN member-countries in banking, finance, food, agriculture, tourism, road transportation and communications;
- Further develop cooperation with such major trading partners of Mongolia, which actively participate in the integration of the ASEAN countries, as the People's Republic of China, Japan and the Republic of Korea on the basis of an in-depth study.

D. Within the Framework of Promoting the Production of Finished Goods and Increasing Their Exports

- Pursue export-led industrial and trade policy to ensure rapid economic growth and sustainable development;
- Improve international competitiveness of Mongolian export goods through improving their processing and quality and strive to meet the objective to become an accredited exporter of certain ecologically clean products, cashmere, meat, cathode copper and others.
- Actively participate in international commodity and raw material exchange;
- Create insurance mechanism to support export-oriented production and trade;
- Follow a policy of promoting best business experiences in creating favourable external and internal business environment;
- Ensure close cooperation of GOs, NGOs and the private sector engaged in foreign trade;
- Create training mechanisms and material basis for training foreign trade professionals and favourable conditions for their stable employment;
- Improve information dissemination and raise international awareness of Mongolian export goods and trade in services;
- Continue the work of concluding Investment Promotion and Mutual Protection of Investment with other countries.

E. About the Legal Environment

1. Continue to make appropriate amendments to relevant laws with a view of reducing such barriers in foreign trade as bureaucracy, export and import licensing;
2. Study the possibilities of applying investment preferences provided to foreign investors to domestic investors alike and take measures to making amendments to Foreign Investment and Corporate Tax Laws in that regard;
3. Draft national laws on countervailing duties, safeguards and anti-dumping and submit to the Parliament for adoption;
4. Make the necessary amendments to the General Law on Free Zones in relation to the establishment and management of Zamyn-Uud free economic zone by foreign investors based on management agreement through international tender and the implementation of trade, production, service and infrastructure projects in Altanbulag free trade zone by domestic and foreign investors;
5. With an objective of protecting domestic industries and increasing exports therefore, make appropriate amendments to such national laws and regulations that are relevant to the regulation of imports and increase import tariffs on some food products and consumer goods that are produced domestically by up to 20% within Mongolia's commitments under the WTO.

**ANNEX F: DRAFT POSITION DESCRIPTIONS FOR THE INTERNATIONAL TRADE
SPECIALISTS**

ANNEX F: DRAFT POSITION DESCRIPTIONS FOR THE INTERNATIONAL TRADE SPECIALISTS

INTERNATIONAL TRADE SPECIALIST - POSITION 1

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

General responsibilities:

1. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Agriculture.
2. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Sanitary and Phytosanitary Measures.
3. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Technical Barriers to Trade WTO Agreement.
4. Provide advice and help to develop negotiating positions on products and issues covered by the General Agreement on Tariffs and Trades 1994.
5. Support Mongolia's trade negotiations and discussions with Russia.
6. Support Mongolia's trade negotiations and discussions with Korea.
7. Support Mongolia's trade negotiations and discussions with Japan.

Specific responsibilities:

1. Help the GoM; Develop and make Agriculture offer (s) for Doha Round.
2. Develop and make Goods offer (s) for Doha Round.
3. Negotiate with Russia on their tariff rates for Mongolian products for Russia's Accession to the WTO.
4. In negotiations on reducing Russian non tariff barriers that affect Mongolian exports of agricultural, goods and services for Russia's Accession to the WTO.
5. Understand how agreements on Sanitary and Phytosanitary Measures and sanitary and phytosanitary procedures can affect their exports and imports.

INTERNATIONAL TRADE SPECIALIST - POSITION 2

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

General Responsibilities:

1. Provide advice and help to develop negotiating positions on issues covered by the Trade Facilitation discussions in the WTO Doha Round.
2. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Implementation of Article VII (Customs Valuation).
3. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Preshipment Inspection.

4. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Rules of Origin.
5. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Import Licensing Provisions.
6. Support Mongolia's trade negotiations and discussions with China.
7. Support Mongolia's discussions with the WTO/UNCTAD/ITC/UNDP/IMF/WB on trade related matters.

Specific responsibilities:

1. Help the GoM; Develop proposals on Trade Facilitation for the Doha Round.
2. Monitor China's compliance with its WTO obligations in areas of current or potential interest to it, especially with regard to national treatment on rail shipping lines rates and foreign investment in transit and distribution services.
3. Understand how agreements on customs and customs procedures can affect their exports and imports.

INTERNATIONAL TRADE SPECIALIST - POSITION 3

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

Continuing responsibilities:

4. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Agriculture.
5. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Sanitary and Phytosanitary Measures.
6. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Technical Barriers to Trade WTO Agreement.
7. Provide advice and help to develop negotiating positions on products and issues covered by the General Agreement on Tariffs and Trades 1994.
8. Support Mongolia's trade negotiations and discussions with Russia.
7. Support Mongolia's trade negotiations and discussions with Korea.
9. Support Mongolia's trade negotiations and discussions with Japan.

Specific responsibilities:

1. Help the GoM; Develop and make Agriculture offer (s) for Doha Round.
2. Develop and make Goods offer (s) for Doha Round.
3. Negotiate with Russia on their tariff rates for Mongolian products for Russia's Accession to the WTO.

4. In negotiations on reducing Russian non tariff barriers that affect Mongolian exports of agricultural, goods and services for Russia's Accession to the WTO.
5. Understand how agreements on Sanitary and Phytosanitary Measures and sanitary and phytosanitary procedures can affect their exports and imports.

INTERNATIONAL TRADE SPECIALIST - POSITION 2

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

Continuing responsibilities:

1. Provide advice and help to develop negotiating positions on issues covered by the Trade Facilitation discussions in the WTO Doha Round.
2. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Implementation of Article VII (Customs Valuation).
3. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Preshipment Inspection.
4. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Rules of Origin.
5. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Import Licensing Provisions.
6. Support Mongolia's trade negotiations and discussions with China.
7. Support Mongolia's discussions with the WTO/UNCTAD/ITC/UNDP/IMF/WB on trade related matters.

Specific Responsibilities:

1. Help the GoM; Develop proposals on Trade Facilitation for the Doha Round.
2. Monitor China's compliance with its WTO obligations in areas of current or potential interest to it, especially with regard to national treatment on rail shipping lines rates and foreign investment in transit and distribution services.
3. Understand how agreements on customs and customs procedures can affect their exports and imports.

INTERNATIONAL TRADE SPECIALIST - POSITION 3

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

Continuing responsibilities:

1. Provide advice and help to develop negotiating positions on products and issues covered by APEC trade liberalization initiatives.
2. Provide advice and help to develop negotiating positions on products and issues covered by ASEAN trade liberalization initiatives.
3. Support Mongolia's trade negotiations and discussions with South East Asia.
4. Support Mongolia's trade negotiations and discussions with South Asia.

5. Support Mongolia's trade negotiations and discussions with Australia.
6. Support Mongolia's discussions with the ADB on trade related matters.

Specific responsibilities:

1. Help the GoM; Develop and consider what type of offers to make for APEC trade liberalization initiatives.
2. Develop and consider what type of offers to make for ASEAN trade liberalization initiatives.

INTERNATIONAL TRADE SPECIALIST - POSITION 4

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

General responsibilities:

1. Provide advice and help to develop negotiating positions on products and issues covered by the WTO General Agreement on Trade in Services
2. Provide advice and help to develop negotiating positions on products and issues covered by the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.
3. Provide advice and help on legal aspects of its negotiating positions.
4. Provide advice and help to develop negotiating positions on issues covered by the WTO Agreement on Trade-Related Investment Measures.
5. Provide advice and help to develop negotiating positions on issues covered by the WTO Agreement on Implementation of Article VI of the GATT 1994 (anti-dumping).
6. Provide advice and help to develop negotiating positions on issues covered by the WTO Agreement on Subsidies and Countervailing Measures.
7. Provide advice and help to develop negotiating positions on issues covered by the WTO Agreement on Safeguards.
8. Provide advice and help to develop negotiating positions on issues covered by the WTO Understanding on Rules and Procedures Governing the Settlement of Disputes.
9. Provide advice and help to develop negotiating positions on issues covered by Trade Policy Reviews and the Trade Policy Review Mechanism.
10. Support Mongolia's trade negotiations and discussions with the EU.
11. Support Mongolia's trade negotiations and discussions with the U.S.
12. Support Mongolia's trade negotiations and discussions with Canada.
13. Support Mongolia's trade negotiations and discussions with Central Asia countries.
14. Support Mongolia's trade negotiations and discussions with Eastern Europe countries.

Specific responsibilities:

1. Help the GoM; Develop and make Services offer (s) for Doha Round.
2. Understand its obligations under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.
3. Continue to follow up its interest in an FTA with the United States through the Mongolian – U.S. Trade and Investment Framework Agreement Joint Council.
4. Develop offers and proposals for the Doha Round and provide.
5. Understand how the legal aspects of the WTO affect it.

INTERNATIONAL TRADE SPECIALIST - POSITION 5

The International Trade Specialist reports to the Head of the Unit and has no supervisory responsibilities.

General responsibilities:

1. Provide advice and help to develop negotiating positions on issues covered by the WTO Ministerial Decisions, Declarations, and Meetings
2. Provide advice and help on issues related to trade related Technical Assistance/Capacity Building.
3. Provide advice and help on what issues trade related Studies should be conducted.
4. Provide advice and help on Public Affairs.
5. Support Mongolia's trade negotiations and discussions with the Middle East.
6. Support Mongolia's trade negotiations and discussions with Africa.
7. Support Mongolia's trade negotiations and discussions with Latin America.

Specific responsibilities:

1. Help the GoM; Develop and make proposal (s) for WTO Ministerial.
2. Be aware of availability of trade related technical assistance and capacity building.
3. Determine what studies should be conducted and how to commission them.
4. Handle public affairs to the Doha Round in terms of Public Affairs.

**ANNEX G: DRAFT LIST OF POSSIBLE STUDIES TO COMMISSION FOR TRADE
NEGOTIATIONS**

ANNEX G: DRAFT LIST OF POSSIBLE STUDIES TO COMMISSION FOR TRADE NEGOTIATIONS

1. Current and projected Mongolian exports to Russia by HS tariff line item
2. Reducing and removing Russia's non-tariff barriers to Mongolian products through WTO Accession
3. China's compliance with its WTO obligations with regard to national treatment for Mongolia companies on rail shipping line rates and foreign investment in transit and distribution services.
4. Status and current scope of Trade Facilitation negotiations at the WTO as they concern Mongolia
5. Expectations concerning offers in agriculture, goods and service for the Doha Round by low income developing countries, such as Mongolia
6. Liberalizing Mongolia's Services Sector
7. What APEC working parties are most relevant to Mongolia?
8. Steps for Mongolia to take to participate in APEC and ASEAN trade liberalization
9. Costs, benefits and timing of potential Mongolia FTAs with trading partners
10. Preferential tariff programs currently or potentially available to Mongolia exports
11. Sanitary requirements for potential Mongolian meat exports.
12. Regulatory framework and current practices in selected sectors such as banking, telecommunications, energy, and others