

NATIONAL REPORT OF MONGOLIA ON IMPLEMENTATION OF THE VIENNA PROGRAMME OF ACTION

Introduction

Mongolia, as a responsible member of the international community, is fully committed to the implementation of all three development documents of immense importance to LLDCs, including the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, and the Vienna Programme of Action for Landlocked developing countries for the decade 2014-2024.

“Mongolia’s 2030 Sustainable Development Vision”, a long-term development strategy, approved in February 2016. By 2030, the Development Vision envisages eradication of poverty in all its forms, sustaining an annual economic growth at least at 6.6%, securing no less than 80% of the total population as Middle or High Income Countries through reducing income inequality and ensuring citizen’s participation, improved human development through quality educational and health services, ensuring ecological balance and green development while building effective, transparent governance.

The first law on Development Policy and Planning was adopted in November 2015, which gives Mongolia more solid ground for long-term national development planning. Law on Development Policy and Planning is crucial in putting global development agendas, including VPoA, and our Sustainable Development Vision into concrete government policies, strategies for successful implementation.

Coherence and linkages with the Post-2015 Development Agenda and other global processes

Currently, Mongolia does not have a specific law on climate change that concerns the regulation of climate change related activities, but a number of existing laws and amendments reflect climate change concerns and challenges and promote activities addressing climate change. In the key national development policy documents and sectoral policies, programmes such as the Green Development Policy /2014/, Mongolian Sustainable Development Vision 2030 /2016/, the 2nd phase /2016-2021/ Action Plan of the National Programme on Climate Change /2011/, the Law on Renewable Energy /amended in 2015/ the basic concepts, principles and legal framework of climate change are reflected.

After the adoption of the Paris Agreement in 2016, the Government of Mongolia strengthened its efforts to establish efficient mechanism and framework for implementation of the current Intended National Determined Contribution /INDC/ and mainstream mitigation and adaptation measures.

The National Action Programme on Climate Change (NAPCC) is the main policy document on addressing challenges associated with climate change. The main objective of the NAPCC is to set priorities for action and to integrate climate change concerns into other national and sectoral development plans and programmes. The second phase /2016-2021/ of the Programme includes a set of prioritized measures, actions and strategies that enable vulnerable sectors to adapt to potential climate change and to mitigate GHG emissions at both national and sectoral level. The implementation of these goals will support Mongolia in achieving climate resilient, sustainable socio-economic development.

As a follow-up to the Sendai Framework, the Parliament of Mongolia adopted the revised Law on Disaster Protection in February 2017 and the Mid-term Strategy to implement Sendai Framework was approved by the Government in December 2017. Mongolia hosted the Second Asian Ministerial Conference on Disaster Risk Reduction under the theme of “Preventing Disaster Risk: Protecting Sustainable Development” from 3 to 6 July 2018 in Ulaanbaatar. The Conference discussed the three years’ implementation of the Sendai Framework and chart the regional action on disaster risk reduction in the coming years.

Priority Area 1: Fundamental transit policy issues:

To overcome challenges related to high transportation costs and weak infrastructure development, Mongolia is also effectively cooperating with its neighbors on transit transportation and infrastructure development. The bilateral MOU on Aligning Mongolia’s “Development Road” and China’s “Belt and Road” Initiatives and the trilateral “Mongolia-Russia-China Economic corridor program” are being implemented.

The purpose of the Economic Corridor program is to enable development and expansion of the trilateral cooperation by implementing 32 major joint projects aimed to increase trade turnover, ensure competitiveness in goods supply, facilitate cross-border transportation and develop infrastructure. In August 2017, the three sides agreed on the 3 priority projects, including 2 projects in infrastructure connectivity, and nowadays discussing concrete possibilities, cooperation methods to implement the priority projects. Finding appropriate capital sourcing is crucial to advance the projects. Possible capital sourcing include the use of investment by the Governments, private sector investment, public-private partnerships and concessional loans by the Asian Infrastructure Investment Bank, the Silk Road Fund, and other financial institutions.

In September 2018, the three sides signed a MOU on establishing trilateral mechanism to coordinate the program’s implementation work. Within the MOU it is also agreed in principal that a Center on projects’ financing and feasibility studies to be established after started implementing the first project.

A milestone has been reached in the trilateral cooperation on 8 December 2016, when the governments of China, Mongolia and the Russian Federation signed the Intergovernmental Agreement on International Road Transport along the Asian Highway Network. Under the first Intergovernmental Agreement to operationalize the Asian Highway concept, each country agreed to give the other two countries traffic rights for international road transport operation on the parts of Asian Highway routes AH3 and AH 4. To demonstrate the benefits of the initiative, in August 2016, the three countries organized a pilot run of a truck caravan that travelled a 2,150-km distance in seven days from the Chinese port of Tianjin to Ulan-Ude in the Russian Federation through the Mongolian territory. To realize the full potentials of this important highway route - one of the 3 priority projects of the Economic Corridor, its part in the Mongolian territory need to be either renovated or to build a new highway in parallel for which significant amount of capital is needed. The Parliaments of the three countries have ratified the Agreement.

Mongolia is also actively cooperating with immediate neighbors bilaterally. Mongolia signed the Agreement on the Access to and from the Sea and transit transport with China in 2014, which allows access to 6 new ports in China, and favorable conditions for Mongolian transit transport through the Chinese territory. Mongolia and Russia also signed a similar inter-governmental agreement in June 2018.

Priority 2: Infrastructure development and maintenance

Mongolia has supported the development of the Belt and Road initiative ever since it was put forward by the People's Republic of China in 2013 and has agreed to establish the Mongolia-Russia-China economic corridor, a trilateral multifaceted cooperation program that aligns Mongolia's "Development Road" program to the "Belt and Road" initiative.

In order to better utilize the opportunities offered by the Belt and Road projects, Mongolia put forward a Belt and Road travel facilitation initiative, which entails:

- Fast-track lane specifically dedicated to the "Belt and Road" officials, scholars and investors opened at the Chinggis Khaan international airport in Ulaanbaatar and at the railway entry ports.
- On-arrival visas to government delegates and business people provided that prior notifications are given to the Ministry of Foreign Affairs of Mongolia.
- Multiple-entry visas to frequent business travelers with an expedited procedure at Mongolian diplomatic missions located around the world.

Mongolia's experience in reaching favorable agreements with its neighboring and regional countries in trade, transit and economic cooperation might become useful for our fellow landlocked developing countries.

Priority 3: International trade and trade facilitation:

International trade

Landlockedness significantly increases Mongolia's trade costs, and thus hinders to a certain degree its efforts to diversify export items and destinations. Mongolia's economy remains highly dependent on performance of a few mineral commodities, such as coal, copper, gold, iron ore.

Mongolia's main exports partner is China and others include Russia, Canada, Great Britain, Japan, South Korea, USA, Italy, Germany. Imports are sourced from countries such as China, Russia, Japan, Germany, South Korea, and the USA.

Total trade turnover: As of December 2017, total trade turnover increased by 27% (or USD 2,262 million) from that of the previous year and reached USD 10,536 million. Total exports increased by 26% (or USD 1,284 million) and imports by 29% (or USD 977 million). During the reporting period, as export surpassed import by USD 1,865 million, trade balance recorded a surplus that is USD 307 million higher than that of the previous year.

In 2017, the share of non-mining exports amounts to around 10.2 percent of total exports, demonstrating the country's low level of export diversification. The Government is making efforts to develop and implement export promotion policies in order to diversify export and increase access to foreign markets. Within this framework, the "Mongol Export Program" was adopted in September 2018. The main objective of the program is to take necessary steps to stabilize a favorable legal and financial environment for Mongolia's non-mining exports, support value-addition processing and strengthen competitiveness of those export products in foreign markets, as well as to facilitate trade and to expand access to export markets. The program includes some specific activities, for example, improve capacity of and support the private sector to assess foreign market prospects, identify market opportunities and overcome market barriers to get better integrated into global value chains.

Trade facilitation

The World Trade Organization Trade Facilitation Agreement (TFA) entered into force on 22 February 2018, which is a landmark agreement for landlocked developing countries to ease trade processes, bring down barriers to trade and enhance the capacity of the developing world to better integrate into global trading network.

The World Trade Organization jointly with the United Nations Conference for Trade and Development (UNCTAD) and the International Trade Centre (ITC) organized a

workshop building on the needs assessment for the categorization of Mongolia's measures in Ulaanbaatar, Mongolia during 13-14 June, 2017. Subsequently, Mongolia submitted its B, C category commitments to the WTO in August 2017.

The European Union funded "Trade Related Assistance for Mongolia (EU TRAM) is helping Mongolia to strengthen capacities of public institutions and private sector to develop and deliver effective trade policy initiatives. The project has three main components, including a) trade policy, b) trade facilitation and c) export development. The envisaged results are to enhance policy dialogue and government capacity and processes for trade policy formulation and negotiation; to effective implementation of concrete measures to reduce trade costs, including mainstreaming of trade policy in other sector policies; and to strengthen the institutional capacity of the private sector, intermediary organisations and other trade-related non-state actors, with a view to more effectively support private enterprises as well as engage effectively with relevant government institutions and agencies.

The Asian Development Bank is working with Mongolia support more efficient and less costly trade flows across three major border crossing points in Mongolia. Regional Improvement of Border Services /RIBS/ project addresses the core problem of inefficient trade processes through rehabilitation and provision of modern equipment in selected border crossing points, upgrading the Customs Automated Information System and preparatory work for the establishment of a single window system.

The World Bank is assisting exporters by providing export insurance and capacity-building grants through its Export Development Program. In March, IFC signed the MOU with the Ministry of Foreign Affairs to launch the Mongolia Trade Facilitation and agricultural Exports Competitiveness Project. The project aims to help Mongolia establish the Mongolia Trade Information Portal, an on-line repository for all trade-related regulations. The project will also help streamline trade and customs regulations, simplify border inspection practices, as well as enhance private sector capacity to meet export requirements in the next five years.

The Trade Facilitation and Agricultural Export Competitiveness Project is supported by the WBG Trade Facilitation Support Program (TFSP). The TFSP assists developing countries in reforming and aligning their trade facilitation laws, procedures, processes & systems to enable implementation of the WTO TFA Requirements.

Mongolia acceded to the TFA in November 2016, and established the National Trade Facilitation Committee in August 2017, headed by the Foreign Minister, with the involvement of all relevant stakeholders, including private sector (Mongolian national chamber of commerce and industry). Three sub-committees have been created to assist

implementation of different aspects of the TFA. Mid-term (2018-2022) “Trade Facilitation Road map” and “Strategy plan for the Committee” have been adopted.

Priority 4: Regional integration and cooperation:

Integrating Mongolia into regional economic integration activities is one of the Mongolia’s foreign policy priorities. Within this framework, Mongolia concluded the first free trade agreement, the Mongolia- Japan Economic Partnership Agreement /EPA/ with Japan in February 2015.

Furthermore, Mongolia conducted a feasibility study on a EPA with South Korea and commenced a feasibility study for a FTA with China.

Mongolia’s accession to the Asia and the Pacific Trade Agreement /APTA/ is going through the process of domestic procedures.

The framework Agreement on Comprehensive Partnership and Cooperation (PCA) between Mongolia and the European Union entered into force on 1 November 2017. The Partnership Cooperation Agreement provides a general framework for promoting bilateral, regional, and international cooperation between Mongolia and the European Union in all areas of cooperation, such as trade and economy, development aid, agriculture, rural development, energy, climate change, research and innovation, education and culture.

Recently, the President of Mongolia called upon the commencement of the “North East Asian Super Grid” project which will provide a number of economic, social and environmental benefits, including energy security, job creation and reduction of carbon dioxide emissions to the countries in the Northeast Asian region.

Priority 5: Structural economic transformation

According to the data of the International Think Tank for LLDCs, the LLDCs have only made limited progress towards achieving structural transformation: The share of the manufacturing sector in LLDCs has remained constant at around 13-14% of GDP since the year 2000. Some LLDCs countries expressed the importance of the implementation of the Vienna Programme of Action, especially priority 5 - Structural Economic Transformation to the ITT for LLDCs. Considering the request from the members, the Government of Mongolia in collaboration with the United Nations Conference on Trade and Development and the International Think Tank for LLDCs organized the Sub-Regional Workshop on “Fostering Structural Transformation and Export Diversification in Selected Asian Landlocked Developing Countries” in October 16, 2018. The workshop promoted structural transformation and export diversification in energy-exporting LLDCs in Asia, particularly Bhutan, Kazakhstan, Mongolia and Turkmenistan.

Priority 6: Means of Implementation:

As of today, Mongolia has transported about 33 million tonnes of freight and 190 thousands of passengers per annum with 9 countries, including Russia, China, Ukraine, Belarus, Turkey, Kazakhstan, Latvia, DPRK and Kyrgyzstan, within the framework of “Intergovernmental Agreement on International Road Transportation”.

Currently, the construction of the Tavan Tolgoi-Gashuun Sukhait railway is 51 percent, while the feasibility study of Erdenet-Ovoot and Huh-Bichigt railways is completed, the Bogdkhan railway and Zuunbayan-Khangai railways are in the process of survey.

Within the framework of the “Intergovernmental Agreement on International Road Transport” by Mongolia, Russia, and China; Mongolia established final draft of the “Intergovernmental Agreement on International transportation” with EU Member States, including Germany, Czech Republic, Slovakia, Hungary and Poland.

The development of dry-ports and legal environment for roads and transport has been planned in order to phase out the tariff and non-tariff barriers to goods imported from third countries through the territory of China.

The Multilateral Agreement for the Establishment of an International Think Tank for Landlocked Developing Countries entered into force on 6 October 2017. Twelve landlocked developing countries including Mongolia, Lao PDR, Armenia, Afghanistan, Kazakhstan, Burkina Faso, Paraguay, Kyrgyz, Tajikistan, Nepal, Ethiopia and Bhutan have ratified the Multilateral Agreement as of May 2018. The Ulaanbaatar-based International Think Tank has been working to support LLDCs to tackle persisting and emerging development challenges by providing evidence-based advisory services, knowledge sharing, presenting a portal and digital library of research papers and information on issues of interest to the LLDCs, organizing thematic meetings and workshops, and support for intra-LLDC collaboration, South-South engagement, and global cooperation. The first meeting of the Board of the Governors of the International Think Tank for LLDCs was held in Ulaanbaatar on 21-22 May 2018 and the Inaugural Intergovernmental Conference of the International Think Tank at the Ministerial level was held on 11-12 June 2018 in Ulaanbaatar. The participants of the Inaugural Intergovernmental Conference discussed broad range of issues on Foreign Direct Investment and Economic diversification of LLDCs, ICT-Connectivity and LLDCs, Transport, transit and trade facilitation challenges and opportunities of LLDCs and adopted Ulaanbaatar Declaration.

Conclusion and Way Forward:

In the recent two years, Mongolia concluded several promising agreements with the neighboring countries such as "The Agreement on access to and from the sea and transit

transport through China's territory by Mongolia" and the intergovernmental agreements on the terms for the rail freight transit transportation and on railway transit transportation.

The Government of Mongolia planning to take the following actions to effectively implement the Vienna Programme of Action.

- Develop a logistics network, create a favorable legal environment for the creation of logistics centers, approve the network, attract foreign investments and private sector investment.
- Establish a legal basis for establishing an international standard dry port in Mongolia, obtain support from donor countries and international organizations to establish an international dry port and to provide the public and private partnership.
- Explore the location of building a dry port, explore the possibility of establishing a dry port at the current logistics center, establish a social-economic lever to build a dry port, attract investors.

The following issues are critical to facilitating trade and transportation and international transport and these issues need to be addressed.

- Integrate working days and working hours of international border points such as Zamyn-Uud, Altanbulag, Tsagaannuur, Bulgan, Ereentsav and Borshoo.
- Facilitate the establishment of the Zamyn-Uud Logistics center. Start construction of mixed logistics centers in Ulaanbaatar, Altanbulag, Saynshand and Choibalsan.
- Ensure the implementation of the TIR Convention, and encourage TIR Carnet to operate the transport.
- Approve the list of goods prohibiting the transportation of the territory of Mongolia.
- Facilitate visa issues for drivers of other countries carrying out transportation of the territory of Mongolia.
- Introduce the paperless customs system.
- Implement non-tariff regulation to facilitate trade and transportation.

Lastly, Mongolia will fully commit itself for the implementation of all the development agendas and will actively participate in international cooperation actions.