



Mongolia accession to WTO:

Ministry of Foreign Affairs & Trade
Government of Mongolia

Session I. Domestic preparation and Coordination:

- Mongolia became democratic country in 1990
- Mongolia's decision to apply for membership to GATT in 1991 was historic decision (Join the club before its two immediate neighbouring countries)
- Government mandated MTI to lead the accession negotiations
- Government committee was set up including MTI, Ministries of Justice, Finance and infrastructure.
- Accession involves two different sets of negotiations that run in parallel to one another.

Session I. Domestic preparation and Coordination:

- Main problem was lack of knowledge on GATT agreements
- Lack of national capacity to run negotiations
- Lack of sufficient resources for preparation and travelling to Geneva
- Lack of proper structure and coordination in the Government
- Lack of knowledge about WTO system and its benefits among Government and business communities.

National objective to join GATT/WTO

- demonstrate the country as economically democratic country (Political decision)
- expand the foreign trade partners
- as a land locked country, Mongolia intended to use GATT platform to negotiate with neighboring countries at the same and balanced level.
- tackle the economic crises after the collapse of Socialist regime and Comecon
- Create own image building as best example of shining democracy

Managing domestic pressure:

- Comparatively less pressure from domestic producers and government agencies and more expectation from the membership
- Early 90's Mongolia became member of WB, IMF, ADB and WTO was one of that accession process to international agencies
- Cashmere, wool, textile producers were reluctant
- Russians left the country and country was in great need to find other sources of supply and channels

Managing domestic pressure:

- MTI held serious meetings with local producers
- Mongolian chamber of commerce organized serial awareness building activities among local businesses
- Round table meetings held between Government and business circles especially cashmere producers

Session II. Negotiation process:

- October 1991: Mongolia indicated its intention to accede to GATT
- October 1991: General Council decided to establish WP on Mongolia
- WP reviewed economic policies and foreign trade regime and terms of accession
- Bilateral negotiations with WTO members
 - Schedule of tariff concessions
 - Schedule of specific commitments in services
 - Elimination of non-tariff barriers,

Session II. Negotiation process:

- WP June 1993, February 1994, May 1994, November 1994, June 1996
- Bilateral negotiations held with the USA, EU, Japan, Mexico etc.
- Adoption of WP report and Protocol of accession, including Schedule of tariff concessions and Schedule of specific Commitments in service (in the Final WP meeting)
- Approval of the accession by WTO members in the General Council
- Ratification of Protocol of accession by Mongolian Parliament
- July 1996: General Council Adopted WP report, Protocol of
- accession and Decision on accession
- - Approved Mongol's accession to the WTO on Jan 1997

Mongolia in the WTO

- Short for negotiations as they were taking place at the turning point in the shift to the new system
- Doha Round: the first multilateral negotiations for Mongolia
 - Major negotiations of interest: agriculture, NAMA, trade facilitation, services
- Protects the interests in the group of developing countries (G33), SVEs, RAMs, LLDCs
- First TPR: in March 2005
- Initiated Informal group of LLDCs in Cancun
- Co sponsored papers on TF (GATT Art V, VIII, X)

Commitments: the implementation

- Bound rate:
 - average: 18%,
 - specific products: 25%-75%

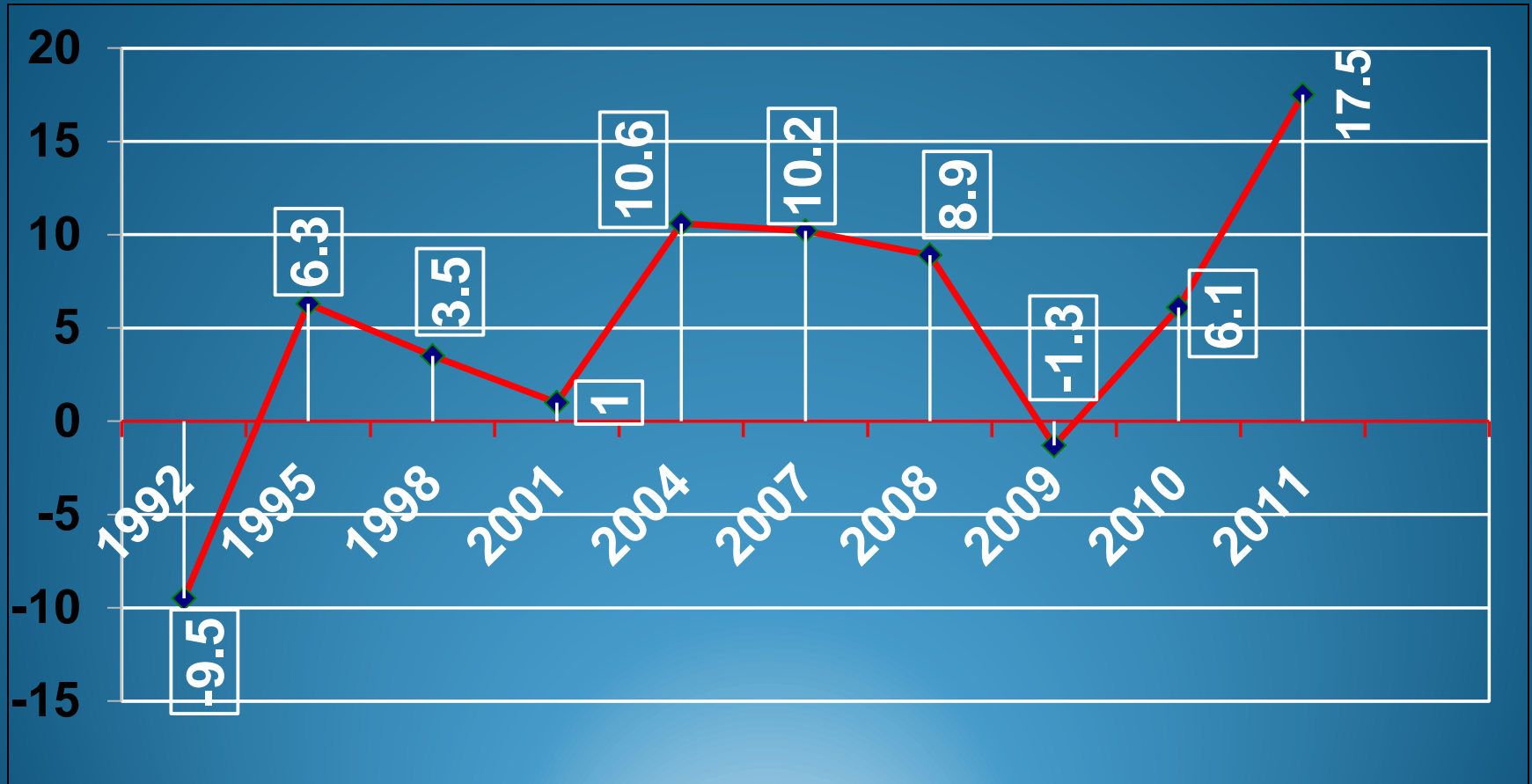
Comparatively liberal services commitment

- Implementation: 2003 – 5% duties (liberal economy)
 - no quota restrictions
 - license on few products
 - no additional charges and fees
 - simplification of customs services
 - revision of laws
 - export tax on few products
 - no price control

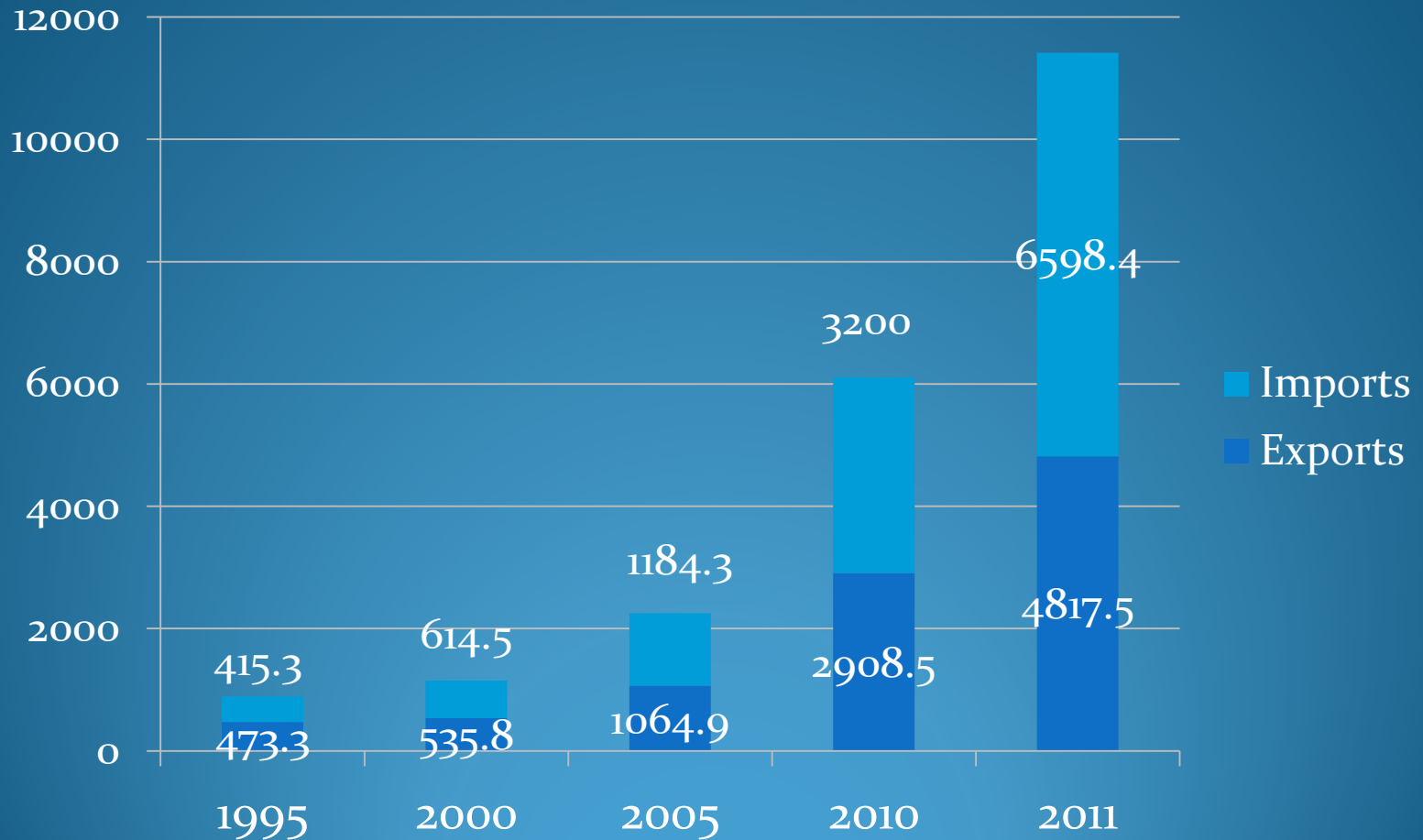
Session III. Benefits of membership

- Mongolia proved again itself economically democratic country
- Significant economic growth (17.5 % in 2011)
- In reality, Mongolia became destination of FDI and businesses
- Mongolian laws and rules and regulations became transparent
- Increase of trade volume (from USD 900 million in 1995 to USD 11 billion in 2011)
- Increase of trading partners (from 30 to 140)
- Increase of investment (appr. USD 10 billion) and investment sources (from 110 countries)
- Supply of goods (cheap imports)
- Choice of consumers
- Strong impetus to domestic reform
- Influence on bilateral trade relations

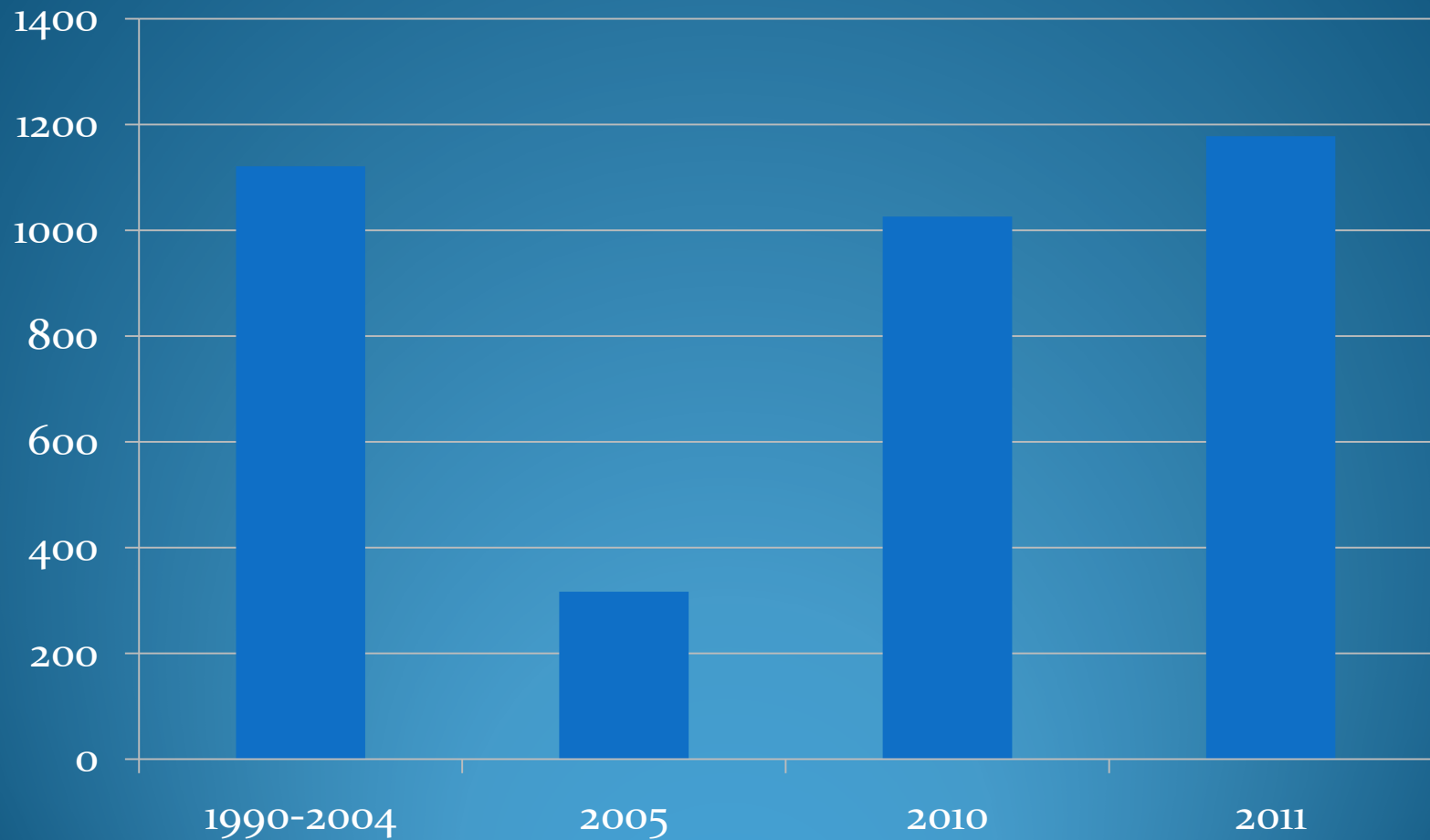
GDP growth, by years, %



Total trade (USD million)



Foreign investment, USD mil.



Session III. Lessons learnt

- private sector has to be strong before liberalization in order to compete with FDI
- take into account not only the political concerns, but foremost the economic consequences
- accession needs to be well-prepared and timely
- a proper structure or trade policy needs to be in place

Lessons learnt

- Raising public awareness and building the capacity of government officials, in particular trade professionals, have been paramount. This appeared to be a non-stop process with the mobility of the officials. The acceding countries may, already during the accession process, seek the assistance of the donors for this particular purpose.
- Trade policy is, in reality, often dependent on politics. (In 2009, the political developments led to elimination of the export tax.)

Lessons learnt

- The result of the negotiations largely depend on the knowledge of the Agreements, the issue itself, the skills to use this knowledge, the negotiating skills, the skills to convince the other side and the lobbying skills.
- There needs to be a proper infrastructure, structure, and again the expertise both in the Government and the private sector alike. For the private sector to get the message through to the government; for the government to be able to implement and make more efficient use of the WTO Agreements.

Lessons learnt

- Building the political will, full understanding of what the consequences could be of the membership, coupled with appropriate structure is the lesson Mongolia has learnt in the years of its membership in the organization. The “political will” plays an important role here. Without political will, balancing between the WTO requirements and the protection of domestic industries cannot be achieved.

Lessons learnt

- In 2005, the Parliament of Mongolia passed a law on excise tax which was inconsistent with the GATT and our commitments. The lack of knowledge and understanding or a purposeful or purposeless unwillingness of Parliament Members to comply with the WTO rules and regulations has led to turning a blind eye to these rules. At the time, the knowledge and understanding of the WTO has been gained slowly by the civil society. Only with the claim of a citizen to the Constitutional Court was the measure brought into the conformity with the commitments.

Session IV. Post accession strategies and challenges

- Government Resolution No. 14 of 1997 and Prime Minister's Decree No. 6 were among the first decisions taken by the Mongolian government in response to the beginning of the WTO era in Mongolia. Resolution No. 14 allocated the WTO agreements to the appropriate ministries and agencies, while Decree No. 6 listed the laws and regulations that had to be modified and amended in order to bring them into conformity with the WTO.

Session IV. Post accession strategies and challenges

- Decree No. 6 was an ambitious attempt by the government to introduce comprehensive changes at one sweep into the trading regime of Mongolia, including, inter alia, the development of a double-column (MFN and non-MFN) customs tariff system, review of the customs valuation rules, reform of the internal taxation system, simplification of export and import procedures, elimination of bans on certain products and modification of the intellectual property protection regime.

Session IV. Post accession strategies and challenges

- One of the main experiences that Mongolia undertook in the last period was its request for a waiver from the commitment. The issue concerned an export tax on raw cashmere, which was committed to be eliminated in 10 years after the accession, i.e. in 2007. As a result of strong pressures from domestic cashmere producers, the Government sought a waiver from the commitment and extended the application of the export tax by another five years, as a result of serious negotiations with our trading partners.

Session IV. Post accession strategies and challenges

- Mongolia should undoubtedly continue to retain its commitment to the WTO, while rectifying its strategies in respect of its participation. First of all the government should put an end to the lack of knowledge and understanding of the WTO and seriously start focusing on the build-up of its capacity to master the WTO's disciplines. Otherwise, Mongolia will never be able to avoid the risk of (i) choosing inappropriate policy lines; or (ii) trotting down the path of voluntarism in the interpretation of WTO rules.

Session IV. Post accession strategies and challenges

- Nowadays it is clear that no country in this ever globalizing world could afford to stay in seclusion outside the universal trading system. This is especially true of a small economy like Mongolia, since without the WTO rule-based system such a player would be doomed to stay confined to its limited markets, while the WTO system opens the doors of opportunity created by economies of scale to the entities in that small economy.



Thank you

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