



**NATIONAL REPORT OF MONGOLIA  
ON IMPLEMENTATION OF  
THE VIENNA PROGRAMME OF ACTION  
2022**

Ulaanbaatar, Mongolia

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## **Summary**

Similar to other economies around the world, the Covid-19 pandemic and the Russia's invasion of Ukraine have created unprecedented challenges for Mongolia's economy, fuelling inflation, impeding trade, logistics, and dramatically increasing public spending.

“10 Trillion Comprehensive Plan for Health Protection and Economic Recovery” aimed to protect the health of citizens, offer affordable housing plans, support production, services and jobs, and improve agricultural production and herders' incomes was approved by the Government resolution on February 17, 2021. The Bank of Mongolia, the Credit Guarantee Fund, the Savings and Insurance Corporation, and banks have entered into relevant agreements to cooperate in the implementation of job creation and agricultural support lending activities.

face were felt especially strong in Mongolia during the pandemic years and the ongoing geopolitical tension.

China serves as the primary transit hub for landlocked Mongolia, providing access to most of Mongolia's economic activities and trade with other countries. However, the COVID-19 pandemic restrictions caused prolonged shipping congestion, particularly at the Tianjin and Dalian ports, as well as the Erenhot land port on the China-Mongolia border. This disruption in the supply chain had an adverse impact on Mongolia's trade activities.

In 2021, the two countries negotiated special quarantine and Covid-19 testing regulations for truck drivers with the aim of increasing cross-border exports of Mongolia's coal and copper concentrate to China. This bilateral cooperation led to a 30 percent increase in Mongolia's exports to China in 2022.

The foreign ministries of Mongolia and China have closely cooperated to ensure the uninterrupted import of essential items such as food, medicine, construction materials, and equipment from China. To facilitate this, the Ministry of Foreign Affairs of Mongolia compiled a list of prioritized imports from China and submitted note verbales to its Chinese counterpart requesting facilitation of imports. This cooperation mechanism resulted in the import of more than 15,000 train cars of goods during 2021-2022. China's decision to lift COVID-19 restrictions in 2023 normalized bilateral trade.



## **Priority Area 1: Fundamental transit policy issues:**

Being a landlocked country situated between Russia and China, Mongolia recognizes the importance of trade facilitation, transit and border cooperation with its neighboring countries. To this end, Mongolia has undertaken efforts to simplify procedures and regulations at the border and implement its commitments under the Trade Facilitation Agreement (TFA). During the TFA negotiations, Mongolia submitted proposals and communications related to international standards, publication and availability of information, simplification of trade documents, and transit issues.

Although the pandemic has eased somewhat in recent times, it has adversely affected economic growth, while geopolitical challenges continue to pose significant obstacles to foreign trade, transport, logistics, and the economy as a whole, which has put immense pressure on the private sector. The pandemic caused thousands of Mongolian containers to be stranded in the ports of Tianjin and Erlian in China, and goods from Europe to Mongolia have been delayed due to the Russian-Ukrainian war. Furthermore, air transport prices have doubled, making it impossible to fly through Russian airspace. These external circumstances have highlighted the challenges faced by Mongolia as a landlocked country.

In response, the government has taken steps to utilize several border ports, improve existing dry ports, approve cheaper air carriers, give access to new routes, and transform Mongolian civil aviation into an air carrier. These measures aim to improve transport and logistics and help mitigate the challenges faced by Mongolia due to its landlocked status.

The COVID-19 pandemic exposed gaps and opportunities in global and regional production networks, leading to efforts to improve efficiency and resilience in supply chains. In this context, inland intermodal facilities or dry ports offer potential solutions to meet supply chain requirements and improve transport efficiency. The disruptions caused by the pandemic have increased the need for additional warehousing capacity or dry ports to reduce the time required to get goods to market. Dry ports serve as points of convergence for various modes of transport, customs processing, warehousing, and clustering of economic activities, making them ideal for integrating into global and regional supply chains.

The Intergovernmental Agreement on Dry Ports, facilitated by ESCAP and effective since April 2016, is a critical pillar for the development of dry ports in the Asia-Pacific region. The Agreement lists 269 dry ports, including 181 existing and 88 potential dry ports, as of September 2021. This study assessed the technical feasibility of dry ports identified by Mongolia in the



checkpoints, building cross-country railways such as the western Artssuuri-Nariinsukhait,



Being landlocked increases Mongolia's trade costs, which has limited the country's efforts to diversify its export items and destinations. The Mongolian economy still relies heavily on a few mineral commodities, such as coal, copper, gold, and iron ore.

In 2022, Mongolia exported goods to 72 foreign countries, with 84.3 percent going to China, 8.2 percent to Switzerland, 2.8 percent to Singapore, and 2.2 percent to the Republic of Korea. The top four destinations account for 97.4 percent of total exports. Mongolia's exports are highly concentrated in a few items, with 82.5 percent of exports in 2022 related to mining. Coal and copper alone represented 51.2 percent and 21.8 percent of total exports, respectively.

Machinery and electrical equipment, transport equipment, and mineral fuels were the main import items in 2022. Mongolia imported goods from 157 different countries, with China (35.0%), the Russian Federation (30.0%), Japan (7.7%), the Republic of Korea (4.9%), the USA (3.1%), and the Federal Republic of Germany (2.1%) accounting for 82.7% of total imports.

China remains Mongolia's main export destination, and minerals are the country's main export products. This structure has remained unchanged since the previous report. The government aims to exploit mineral deposits of strategic importance while also diversifying export products to reduce dependence on mineral resources.

Mongolia has introduced several national programs that address trade policy, including the 2020-2024 Action Plan of the Government. Since 2019, the Export Promotion Council, chaired by the Foreign Minister, has held regular meetings to coordinate intersectoral activities. In 2022, the Ministry of Economy and Development was established to develop economic policy, including trade policy, while the Ministry of Foreign Affairs is responsible for implementing trade policy, including trade agreements.

### **Trade facilitation**

The World Trade Organization's Trade Facilitation Agreement (TFA) became effective on February 22, 2017, marking a significant breakthrough for landlocked developing countries in terms of simplifying trade processes, reducing trade barriers, and improving the capacity of developing nations to integrate into the global trading network.

Mongolia became a signatory to the TFA in November 2016 and established the National Trade Facilitation Committee in August 2017, headed by the Foreign Minister, with participation from all stakeholders, including the Mongolian National Chamber of Commerce and Industry. Three sub

Facilitation Road map" and "Strategy plan for the Committee," both for the mid-term period (2018-2022), have been adopted.

By 2025, Mongolia must fulfill all of its obligations under the World Trade Organization's Trade Facilitation Agreement. As a landlocked country, Mongolia is particularly interested in the trade facilitation work being carried out by the WTO because it is heavily impacted by issues related to transit and border cooperation. Mongolia actively participated in the process of negotiating the Trade Facilitation Agreement and has made efforts to streamline and simplify procedures and regulations at its borders. Several trade facilitation measures have been implemented, including risk management, electronic payment systems, and customs cooperation. Currently, Mongolia's implementation rate of the agreement is 85.3%.

To facilitate foreign trade and establish an e-commerce environment, Mongolia became a party to the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific on April 28, 2022, initiated by the UNESCAP. It is expected that the successful implementation of both the WTO Trade Facilitation Agreement and the Paperless Trade Facilitation Agreement will reduce Mongolia's trade costs by 30%.

The Ministry of Foreign Affairs of Mongolia, in collaboration with the United Nations Conference for Trade and Development (UNCTAD), organized a capacity-building project for the National Committee of Trade Facilitation of Mongolia from April 9 to July 5, 2021. The project established a database for monitoring the progress of trade facilitation and identifying the responsible authorities and officials for each trade facilitation measure within the Reform Tracker project. A Rapid Scan of Trade Facilitation Preparedness in times of Crisis was conducted in Mongolia, and workshops and webinars, including a webinar on "Future of Transit in Mongolia: Challenges and Opportunities," was held on May 25, 2022.

#### **Priority 4: Regional integration and cooperation:**

Integrating Mongolia into regional economic integration activities is one of Mongolia's top foreign policy priorities. In line with this goal, Mongolia has concluded two free trade agreements (FTAs): the Asia-Pacific Trade Agreement (APTA) and the Agreement between Japan and Mongolia for an Economic Partnership (EPA).

Mongolia concluded its first free trade negotiations with Japan in February 2015, and the resulting Japan-Mongolia Economic Partnership Agreement (EPA) entered into force on June 7,



Ready assesses key policy areas such as e-commerce strategies, ICT infrastructure and services,

To facilitate international transport, the protocol between the Ministry of Road and Transport of Mongolia and the Ministry of Transport of China on the implementation of the international road transport agreement between the Governments of Mongolia and China was renewed in 2019.

Under the China-Mongolia-Russia Economic Corridor program, an intergovernmental agreement on international road transport along the Asian Highway Network was signed by the three countries in 2019. This agreement allows for transport in two directions: Asian Highway Network's AH 3 route or Ulan-Ude –Ulaanbaatar –Tianjin port, and AH 4 route or Novosibirsk – Bayan Ulgii-Khovd -Urumqi –Hongiraf port.

In 2022, 33.07 million tons of cargo were transported by road, a 15.1 million ton increase or 84% increase from the previous year. This increase was due to a 149% increase in the export through the Gashuunsuhait port, a 93.83% increase in the export through the Hangi port, and a 27% increase in the export through the Shiveehuren port. 59.3% of cargo import by road was made via Zamin-

per ton, offering competitive prices for coal and copper transportation to Chinese ports such as Huanghua, Tianjin, Qingdao, and Jinzhou, and third-country markets.

The Zuunbayan-Khangai rail link, which spans 226.9 km across the southeast of Mongolia, opened in November 2022 after completing its construction phase. The new rail link serves as a critical connection between the Tavantolgoi-Zuunbayan railway and the Khangai-Mandal crossing on Mongolia's border with China. The completion of another connection to a new railway being built on the Chinese border will reduce the transportation distance for freight across this economic corridor by approximately half. The Zuunbayan-Khangai rail link is expected to enhance Mongolia's export competitiveness and economy under the government's "New Recovery Policy." Its completion is projected to support a 30% growth in Mongolian export freight volume, with annual freight volumes projected to stabilize at nearly twice the current level.

### **Airway**

Mongolia's domestic aviation market is relatively small, with most flights operating between Ulaanbaatar and other major towns. The country has 17 licensed airports, one of which is an international airport. Of the 16 operators of maintenance, repair, and overhaul aviation services, nine are foreign-owned. Foreign investment is allowed in the selling and marketing of air tickets by

flag carrier, transported 46% of the total number of passengers, followed by Aero Mongolia LLC (19.41%), Hunnu Air LLC (9.74%), and foreign air carriers (25%).

In 2022, a total of 12,892.9 tons of cargo and mail were transported by air, an increase of 6,468.7 tons or 100.6% from the previous year. International cargo accounted for 99.7% of the total transported cargo, with outward and inward movements of cargo increasing by 98% and 84%, respectively.

The Chinggis Khaan International Airport, with a two-way take-off and landing runway, was constructed by the NUBIA Joint Venture, a Japanese consortium comprising Mitsubishi, Narita International Airport (NAA), Japan Airport Terminal Co., and Jalux, and officially opened in July 2021. The Cargo Terminal at Chinggis Khaan International Airport provides integrated services that connect inbound and outbound cargo and mail to ground transportation. Efforts are being made to coordinate the activities of the Buyant-Ukhaa Customs Office, the Specialized Border Inspection Agency, airlines, customs brokerage, and freight forwarding companies to provide prompt service to citizens, organizations, and businesses. The cargo terminal provides high-quality handling services for all types of cargo and mail transported by international and domestic flights, in accordance with the International Civil Aviation Organization (ICAO) and International Air Transport Association (IATA) standards, regulations, and rules.

### **Waterway**

Since 2003, Mongolia has been operating an open ship registry in Singapore, in accordance with the rights of landlocked countries to fly their own flag on the high seas. According to international legal principles, states have rights and obligations in the maritime field that are divided into three categories: coastal state, port state, and flag state. Mongolia implements its rights and duties as a flag state within the framework of ship registration activities.

Despite being a landlocked country, the total tonnage and vessels registered by Mongolia are more than some countries with sea access, indicating country's significant presence in the maritime sector.

Currently, Mongolia has appointed registry agents in five countries and organizes surveys for Mongolia-registered vessels with a wide network of cooperation with recognized organizations such as Lloyd's Register, Korean Register, and Russian Maritime Register of Shipping. As part of Mongolia's efforts to develop its national maritime sector, the cooperation is being expanded to include shipping activities with leading countries in the maritime field.

Under the regulations approved by the Government of Mongolia, the ship registry of Mongolia only registers merchant vessels, excluding ships engaged in armed forces, navy, and fishing activities. Since 2003, the ship registry of Mongolia has registered around 3,900 ships from 30 countries. As of 2022, a total of 256 vessels with an overall gross tonnage of 489,356 tons are flying the Mongolian flag, an increase of 67 or 35.5% from the previous year. Of these, 16.79% are in Singapore, 16% in Malaysia, 14.5% in Hong Kong, and 11.7% in Indonesia.

Mongolia has been negotiating and discussing favorable terms for utilizing seaports and having free access to coastal state seaports through multilateral treaties and bilateral intergovernmental agreements. The Mongolia Maritime Administration (MMA) has concluded a Memorandum of Understanding (MOU) on cooperation with China, Korea, Vietnam, Italy, and Russia, ensuring its implementation and widening the foreign relations of the maritime sector.

### **Customs**

The General Customs Administration of Mongolia plays a pivotal role in both day-to-day border post operations as well as multilateral and bilateral negotiations, such as the WTO Trade Facilitation Agreement (TFA) and the Mongolia-Japan Economic Partnership Agreement (EPA). It also operates the Central Customs Laboratory. Since 1993, Mongolian Customs has entered into 16 bilateral agreements with its partners to cooperate and provide mutual assistance in customs matters.

As of 2022, Mongolian Customs operates 16 customs houses and 3 customs branches, while maintaining 42 customs border posts - 29 along the Mongolia-Russia border, and 13 along the Mongolia-Chinese border. The development of dry ports and an improved legal framework for roads and transport will phase out tariff and non-tariff barriers for goods imported from third countries through China's territory.

### **Pandemic situation**

Mongolia successfully implemented vaccine diplomacy amid the global competition in procuring vaccines against Covid-19. World Health Organization praised Mongolia's Covid-19 vaccine rollout that presented an example where a developing country with a proper inoculation plan could also achieve high rates of vaccination in a short period of time.

As of end of 2021, Mongolia received a total of 5.5 million doses of four



manufacturers. Protecting the health and wellbeing of Mongolians was the priority goal of the government.

Friendly and neighborly relations of Mongolia with its foreign counterparts enabled the Ministry of Foreign Affairs to fully repatriate its citizens stranded in foreign countries due to the travel restrictions imposed preventing the pandemic outbreak. MIAT Mongolian Airlines and other carriers increased the frequency of their chartered flights, and reduced air ticket fees by 15 percent.

According to the COVID economic recovery index, Mongolia is ranked 73<sup>rd</sup> with 50.37 scores among the 123 countries. While Mongolia's labor market has recovered from the sharp downturn of 2020-2021, a new challenge has emerged in the form of spiraling inflation, according to a World Bank report. Chinese border closures, and the depreciation of the exchange rate have contributed to rising prices of both domestic and imported goods and services in Mongolia.

“10 Trillion Comprehensive Plan for Health Protection and Economic Recovery” aimed to protect the health of citizens, offer affordable housing plans, support production, services and jobs, and improve agricultural production and herders' incomes was adopted by the government of Mongolia on February 17, 2021. The Bank of Mongolia, the Credit Guarantee Fund, the Savings and Insurance Corporation, and banks have entered into relevant agreements to cooperate in the implementation of job creation and agricultural support lending activities. The following objectives have been set: to intensify lending by banks and financial institutions, to share banks' risks using the credit guarantee system, and to alleviate the borrower's financial burden by paying a certain percentage of interest to the borrower within the government-approved budget.

In December 2021, the Government of Mongolia passed its New Economic Recovery plan aimed at boosting the recovery in the post pandemic period. The program is the first part of the country's “Vision 2050” long-term development programme. The plan aims to address the key economic constraints such as border ports, energy, industrialisation, urban and rural development, green development, and the public services efficiency.

As a result of the abovementioned policies, the post-pandemic economic recovery has been strong in Mongolia. Mongolia's GDP growth in 2022 reached 4.8 percent, which is mainly driven by non-mining and mining sectors. The recovery in the non-

## **Conclusion and Way Forward:**

As air transport is a vital channel of transportation for LLDCs, Mongolia submitted the Working Paper entitled “Improving Air Connectivity in LLDCs” to the 41st Assembly of ICAO held on 27 September to 7 October 2022 in Montreal, Canada. The Working Paper (A41-WP/61 EX/30), co-sponsored by Armenia and Ethiopia, has urged ICAO to conduct an Aviation Needs Analysis Study of the LLDCs to better understand the nature and extent of the challenges faced by these group of countries and to give priority in appropriating a sufficient amount of budgetary resources and other technical and capacity building assistance to LLDCs. Mongolia believes that it can contribute to the structural economic transformation in LLDCs.

Also, Mongolian delegation informed the ICAO Council of the formation of Informal Working Group of the LLDCs and urged ICAO to conduct the proposed “Aviation Needs Analysis Study of the LLDCs” to better understand the nature and extent of the challenges faced by these group of countries and to give priority in allocating financial resources and other technical and capacity building assistance to LLDCs.

We see the digital transformation as an enabler to sustainable economic transformation and recovery. Thus, the Government of Mongolia is committed to creating a conducive business environment, encouraging competitiveness in a free market by cracking down on corruption and reducing excessive government control and bureaucracy. As part of this effort, the Government has recently launched an online platform "E-Business" to support entrepreneurs. The "E-Business" platform is a significant step towards reducing bureaucracy as it enables entrepreneurs to obtain special licenses and register their businesses without visiting registration and taxation offices. Now the "E-Business" platform offers 658 services, including 417 special licenses for legal entities, 42 inquiries and references, and 226 government services.

Also, Mongolia actively participates in development and implementation of the action plan for the Asia-Pacific Information Superhighway, focused on regional cooperation towards connectivity for all, data and digital technology and applications. On 5-6 September 2022, the Ministry of Digital Development and Communications in collaboration with the UN Mongolia organized the first-ever Global Digital Dialogue to exchange experiences from different countries on how to implement digital transformation strategies to an audience composed of the Member States, UN entities, private sector, international financial institutions, and other key stakeholders.

The Government of Mongolia is committed to the effective implementation of the Vienna Programme of Action, despite the challenges posed by the pandemic. Mongolia will continue to work with its partners and stakeholders to implement policies and programs that promote sustainable development and poverty reduction, strengthening capacities in trade and infrastructure development, addressing the challenges posed by climate change and environmental degradation as well as strengthening governance and promoting the rule of law, transparency, and accountability in all sectors of society.