

ISSUES IN TRADE BETWEEN MONGOLIA AND THE UNITED KINGDOM

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1. FOREIGN TRADE BETWEEN MONGOLIA AND THE UK



- Trade relations between the two countries are governed by **the Trade and Economic Cooperation Agreement** approved in 1993.
- Both parties have mutually agreed to elevate their trade and economic ties, granting each other the **status of the most favored partner for exports**.
- As of 2021, the European Union (EU) represents 4.2% of Mongolia's total trade and stands as **Mongolia's third-largest trading partner**, following China and Russia.



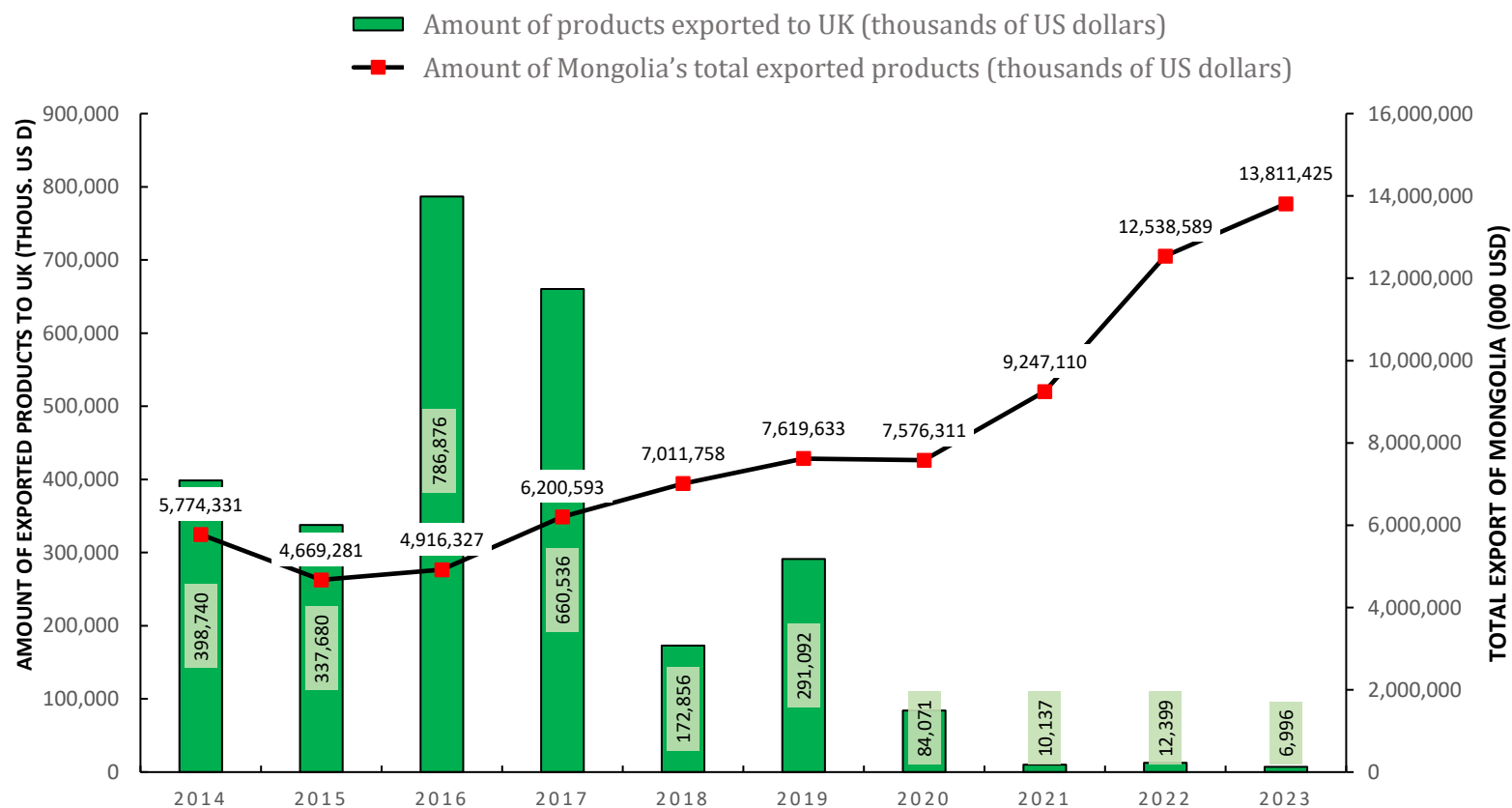
2. TOTAL TRADE TURNOVER OF MONGOLIA AND THE UK

- Mongolia's **total foreign trade turnover**
 - 21 sections, 97 chapters, 1,240 headings of products
- Total products **exported** from Mongolia to the UK
 - 19 sections, 49 chapters, 229 headings of products
- Total products **imported** from the UK to Mongolia
 - 21 sections, 87 chapters, 684 headings of products
 - **Source:** (*gaali.mn*)



3. EXPORT FROM MONGOLIA TO THE UK

- The highest total value of products exported to the UK in the last 10 years
 - In 2016, the total product was 786,875.7 thousand US dollars
- The lowest total value of products exported to the UK in the last 10 years
 - In 2023, the total product was 6,995.96 thousand US dollars

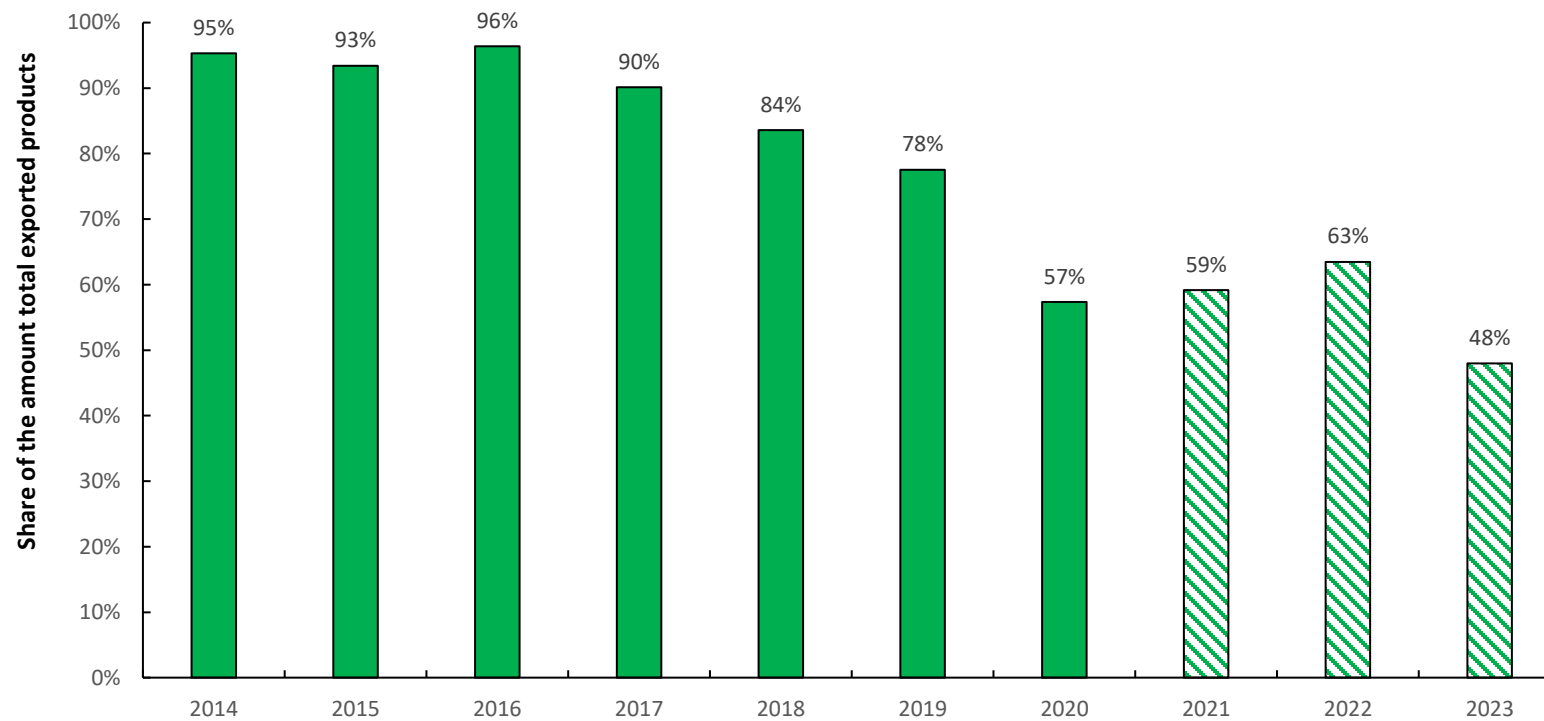


Source: (Gaali.Mn, n.d.)



The most exported products to the UK

- **Gold** (including gold plated with platinum) unwrought or in semi-manufactured forms (56%-96%) in 2014-2020
- **Wool and fine or coarse animal hair, carded or combed** (including cashmere and yak wool)(48%-59%) in 2021-2023



*Graphic description: ■ Gold (including gold plated with platinum) unwrought or in semi-manufactured forms ■ Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments)

▪ Source: (Gali.Mn, n.d.)



EXPORT dynamics from Mongolia to the UK

- The volume of products exported to the UK over the last 10 years
 - increased in 2016
 - Decreased in other years
- This trend can be attributed to the significant export of
 - Gold (including gold plated with platinum) unwrought or in semi-manufactured forms
 - which reached its peak in 2016 and has been declining since then
 - Mongolia's export is highly concentrated in a few products



Reasons of declining export from Mongolia to UK

- Before 2018, Mongolian gold used to be exported to UK to be sold at London Metal Exchange
- Since 2018, the main exchange of gold is shifted to the Swiss Metal Exchange
 - This is related to the currency of Swiss Franc increased significantly in Mongolia
- Old issues of export are still exists



Measures Supporting Mongolia's Exports-1

- Since 2021, there has been an increase in the export cashmere and yak wool.
- This growth can be attributed to the **Mongolian export program**:
 - which aims to diversify exports by
 - supporting the export of value-added products and
 - supporting the production of non-mining products.
 - Main exporters of yak wool: Bodio's LLC and individuals living in UK,
 - Main exporters of cashmere: GOBI and other companies



Measures Supporting Mongolia's Exports-2



- **Import Tariff Preference (GSP+)**

(source: Monitoring Missions and Priorities in Mongolia, n.d.)

- Mongolia was granted GSP + status in 2005.
- 8 countries benefit from this system, one of which is Mongolia.

- **GSP+ Beneficiaries**

- The GSP+ is the special incentive arrangement for Sustainable Development and Good Governance that supports vulnerable developing countries that **ratified 27 international conventions** on
 - human rights, labor rights,
 - environmental protection against climate change,
 - good governance.



Measures Supporting Mongolia's Exports-3

- **GSP+ criteria**

- **GSP+-eligible countries must be considered vulnerable due to**

- a lack of export diversification and
 - insufficient integration within the international trading system.

- **To meet the vulnerability criterion,**

- the ratio of the beneficiary's GSP-covered imports relative to
 - the GSP-covered imports of all countries **must be lower than 7.4%.**

- **The seven largest sections of GSP-covered imports must exceed a threshold of 75% of**

- total GSP imports over **three years** to fulfill the diversification criterion.

- **GSP+ duty reduction**

- GSP+ countries can benefit from complete duty suspensions for products across approximately 66% of all EU tariff lines, including sensitive products.



Measures Supporting Mongolia's Exports-4



- **Mongolia and the EU's GSP**
- **Mongolia in 2019**
 - Mongolia can be considered a highly vulnerable economy and is noticeably below the threshold of 7.4%,
 - indeed its vulnerability ratio for 2019 stood at zero.
 - The minimum export diversification threshold stands at 75% whereas Mongolia's percentage was 92.3%.
 - Mongolia currently has a high preference utilization rate of 91%
 - A relatively small share (31%) of Mongolia's current exports is eligible for tariff reductions under the GSP.
 - **Source:** (*Monitoring Missions and Priorities in Mongolia*, n.d.)

Measures Supporting Mongolia's Exports-5

- European Union-funded Trade Related Assistance for Mongolia project
 - It was implemented for 4 years from 20.03.2017 to 24.06.2020.
- **Goal of the project**
 - to develop Mongolia's trade sector by enhancing the capacity to formulate efficient trade policies
 - This is targeted at specific products and sectors with high export potential,
 - involving government organizations responsible for trade policy development.
 - support Mongolia's more effective participation in global economic relations
- **The project comprises the following components:**
 - Strengthening the capacity to develop trade policies and negotiate agreements.
 - Trade facilitation.
 - Export promotion.



Монголын Худалдааг Дэмжих Төсөл



Some issues of export from Mongolia to the UK

- Non-tariff restrictions are higher for agricultural/livestock products
- Distance between the two countries is far:
 - High transportation cost
 - No direct flight
 - Transportation time is long (Minimum 7 days)
- Lack of Mongolian goods and services that is to attract the UK customers
- Mongolian products are more expensive than some other Asian countries like China and Vietnam

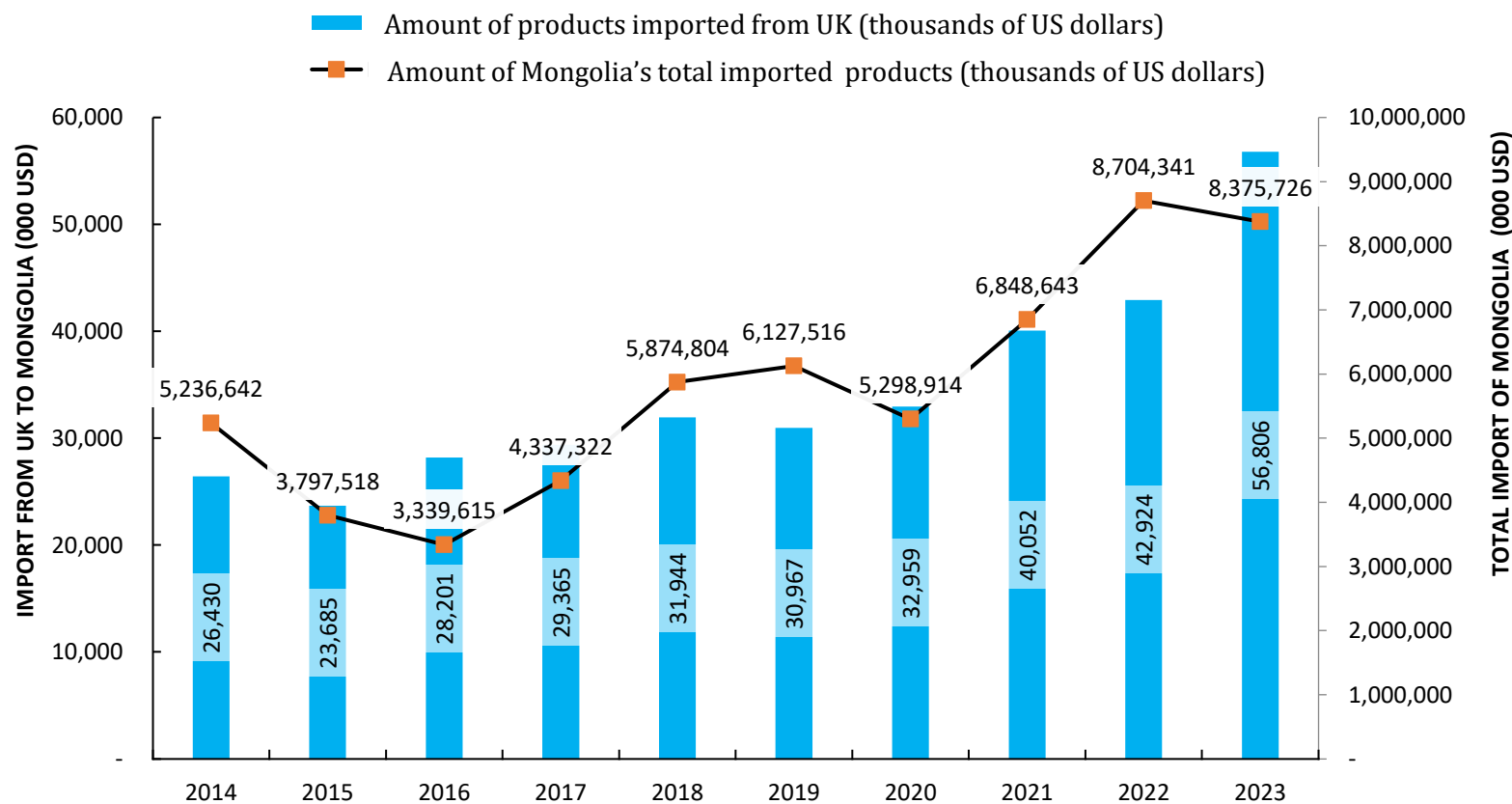


Possible new products to be exported to the UK from Mongolia

- Goat Cashmere, wool from yaks, sheep, and camel etc., and Mongolian vodka
- Some livestock products (but some non-tariff restrictions by UK side)
 - Meat, milk, honey etc.
- Financial services of FinTeck companies in Mongolia
- Cultural products:
 - E.g., Mongol Khan etc. (40 thousand people in London)

4. IMPORT FROM THE UK TO MONGOLIA

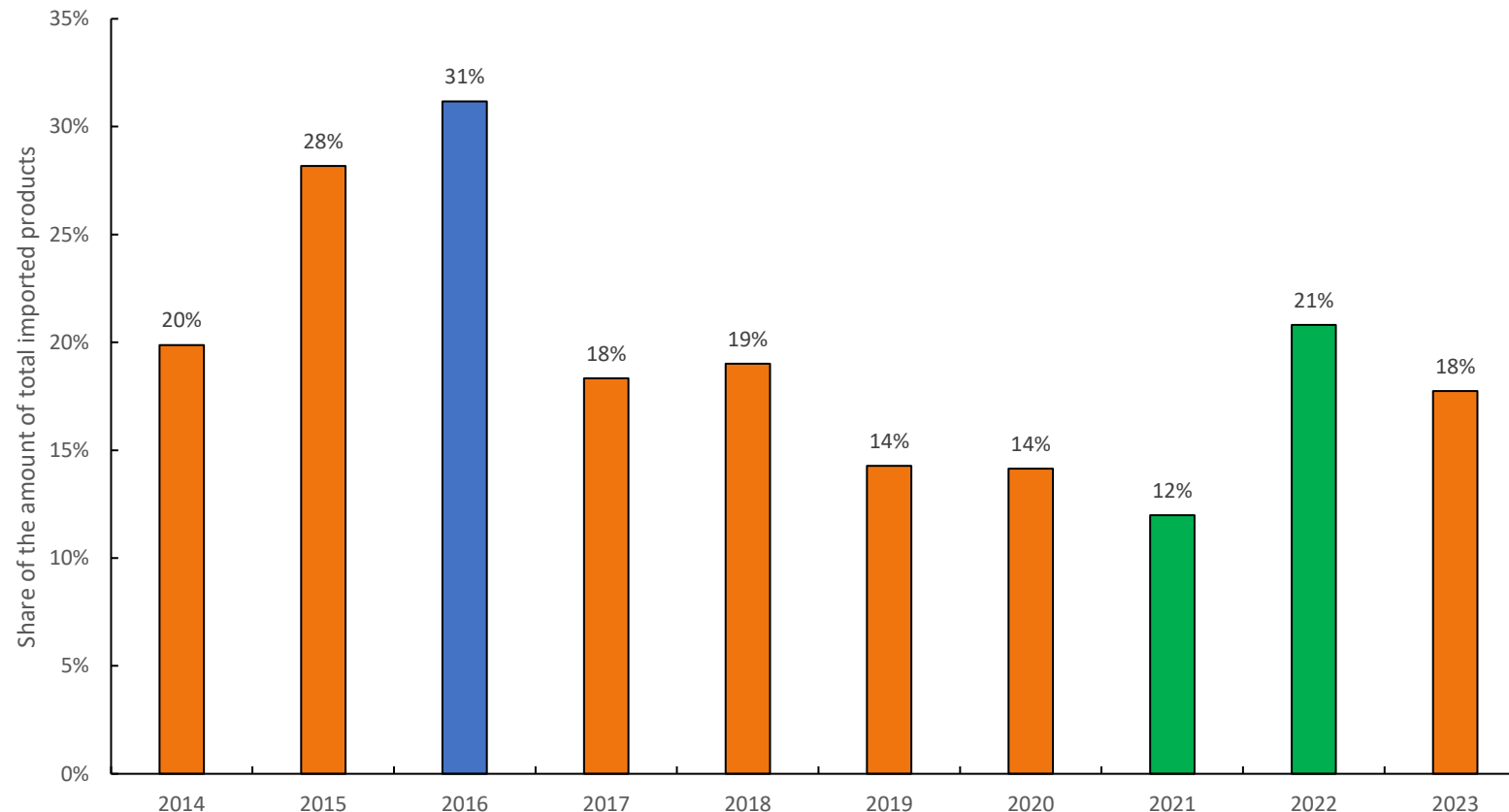
- The highest total value of products imported to the UK in the last 10 years
 - In 2023, the total product was 56,508.13 thousand US dollars
- The lowest total value of products imported to the UK in the last 10 years
 - In 2015, the total product was 23,684.89 thousand US dollars



Source: (Gali.Mn, n.d.)

The most imported products from the UK

- Motor cars and other motor vehicles (14%-28%) in 2014, 2015, 2017-2020, 2023
- Telephone sets, including telephones for cellular networks or other wireless networks; other apparatus(31%) in 2016
- Undenatured ethyl alcohol spirits, liqueurs, and other spirituous beverages (12%-21%) in 2021, 2022



*Graphic description:

- Motor cars and other motor vehicles
- Telephone sets, including telephones for cellular networks or other wireless networks; other apparatus
- Undenatured ethyl alcohol spirits, liqueurs, and other spirituous beverages.

■ Source: (Gali.Mn, n.d.)



Products Imported from the UK to Mongolia

- Currently imported products:
 - Whiskies, Gins,
 - Cars, e.g., Land Rover
 - Food: Biscuits etc.
 - KFC in Mongolia started to import chicken from Northern Ireland
 - Equipment for railways
 - Equipment and engines for mining
- Future possible products:
 - Marketing and branding services
 - Legal services



Issues of import from the UK to Mongolia

- Amendments of legal environment for trade, sometimes conflicted sanctions come up that is against the WTO regulations and requirements
- For example:
 - A draft of the law on anti-alcoholism, it was stated that:
 - Supporting domestic alcohol producers but
 - Restricting import of alcohol products by placing a QUOTA
 - This was against the WTO regulations not to distinguish domestic and imported products
 - Hence, this sanction was abolished when approved
- Additional import requirements for importers



5. CONCLUSIONS

- Export from Mongolia to the UK has been declining sharply since 2018 due to
 - the **shift of Mongolian gold export** from London Metal Exchange to Swiss Metal Exchange.
- Meanwhile, import from the UK to Mongolia has been constantly **increasing** in last 10 years
 - thanks to active British Embassy in Mongolia.
- **Key Issues of export from Mongolia to the UK:**
 - High Transportation Cost
 - Lack of British Attractive Goods and Services
 - Non-competitive goods (expensive)
- To **support the export** from Mongolia to the UK, some measure has been undertaken:
 - **Mongolian export program**
 - **Import tariff subsidy (GSP+)**
 - **Trade Related Assistance for Mongolia project**
- The range of exported products is still **relatively small**
- **Some opportunities to increase Mongolian export to the UK:**
 - Livestock products: Goods made by cashmere and wool
 - Cultural services (E.g., The Mongol Khan)



6. SOURCES

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