Trade and Green Economy in Mongolia

Technical Study

March 2019

This study was carried out under the framework of the project “Harnessing Trade Opportunities in Transition to a Green Economy in Mongolia”, with the support from UN Partnership for Action on Green Economy (PAGE), and the Environment and Trade Hub of UN Environment.

Contents

LIST OF ACRONYMS

APEC	Asia-Pacific Economic Cooperation
COROS	Common Objectives and Requirements of Organic Standards
FAO	UN Food and Agriculture Organisation
FMD	Foot and Mouth Disease
GAP	Global Animal Partnership
GATS	General Agreement on Trade and Services
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GMO	Genetically Modified Organism
IFOAM	International Federation of Organic Agricultural Movement
ISO	International Organization for Standardization
ITC	International Trade Centre
LDCs	Least Developing Countries
ME	Ministry of Energy
MFA	Ministry of Foreign Affairs of Mongolia
MFALI	Ministry of Food, Agriculture and Light Industry of Mongolia
MFN	Most-Favored Nation
MNCSM	Mongolian National Centre for Standardization and Metrology
MNCCI	Mongolian National Chamber of Commerce and Industry
MNT	Mongolian tugrug (national currency)
MRTD	Ministry of Transportation and Road Development
NGDP	National Green Development Policy
NSO	Mongolian National Statistics Office
OIE	World Organization for Animal Health
PAGE	Partnership for Action on Green Trade
SCO	Shanghai Cooperation Organization.
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises
SDT	Special and Differential Treatment
SDV	Sustainable Development Vision
SME	Small and Medium-Sized Enterprises
TFA	Trade Facilitation Agreement
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNWTO	World Tourism Organisation
VAT	Value Added Tax
WTO	World Trade Organization

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGMENTS

This report was commissioned by the Partnership for Action on Green Economy (PAGE) and the Environment and Trade Hub of UN Environment under the project entitled "*Harnessing trade opportunities in transition to a green economy in Mongolia".* The project was managed by Ying Zhang, Programme Management Officer (UN Environment), under the general supervision of Anja von Moltke, Head of Environment and Trade Hub, and Asad Naqvi, Head of PAGE Secretariat.

The study was based on policy review and analysis, experts' workshop in May 2017, and the stakeholders' round table meeting in September 2017 in Ulaanbaatar, Mongolia.

Authors: Tsevelmaa Khyargas, Professor of the National University of Mongolia; Altantsetseg Sodnomtseren, National Coordinator for Mongolia, Partnership for Action on Green Economy

Contributors: Ying Zhang (UN Environment) ; Kenneth Rhemrev (UN Environment) ; Narmandakh Luvsan (UN Environment)

Edited by: Otgonsaikhan Nyamdaa, Professor of the National University of Commerce and Business; Ying Zhang (UN Environment)

Special thanks: D. Erdenebayar, Director of Sectoral Policy Coordination, National Development Agency; A. Munkhbold, Head of the Research and Analysis Department, the National Development Agency; T. Bulgan, Director of Green Development Policy and Planning, the Ministry of Environment and Tourism; V. Enkhbold, Director of the Foreign Trade Policy Department, the Ministry of Foreign Affairs; N. Batnasan, Professor of School of Business, National University of Mongolia; M. Sarantuya, Officer of the National Development Agency; D. Munkhsaikhan, Officer of the National Develop Agency and E. Otgontuya, PhD candidate of the School of Business, National University of Mongolia.

EXECUTIVE SUMMARY

This study was carried out under the framework of the project *"Harnessing trade opportunities in transition to a green economy in Mongolia*", with support from UN Partnership for Action on Green Economy (PAGE) and the Environment and Trade Hub of UN Environment.

The project was conducted in partnership with the Ministry of Environment and Tourism of Mongolia (MET) and the National Development Agency (NDA). The project carried out a two-day training on May 29-30, 2017, a workshop for experts on May 31, 2017, and a stakeholder roundtable meeting on September 14, 2017. These events helped to identify the needs, challenges, opportunities and priority sectors for green trade development in Mongolia.

The baseline study covered six areas of work: a stocktaking exercise on green trade development in Mongolia, an analysis of green trade opportunities in the meat and cashmere industries, the barriers and challenges to harness green trade opportunities in these sectors, including tariff and non-tariff barriers, knowledge and capacity gaps, international and regional trade governance issues, and recommendations for policy makers. Below is the summary of key findings of this study.

1. **Trade has an important role in Mongolia's transition towards a green economy**

Foreign trade has played an important role in the socio-economic development of Mongolia. Mongolia's foreign trade reached its peak in 2011, driven by growing foreign direct investment in mining industry, upward price trends for commodities, such as copper, gold and iron, and a growing demand for transportation infrastructure and transportation services.

In 2016 the total trade volume reached US$ 8.3 billion; US$4.9bn exports and 3.4bn imports (NSO, 2017). China receives 90% of Mongolia's exports and supplies Mongolia with more than one-third of its imports. Mongolia also relies on Russia for 90% of its energy supplies. In 2017 the export grew by 26.1% and import grew by 29.2% compared to 2016 (NSO, 2017).

In recent years, Mongolia has, in its effort to diversify its economy and pursue sustainable development, attached high importance to sustainable agricultural production and initiated several programmes to support exports of sustainably produced products. This

includes, among other things, the Action plan for implementing the Green Development Policy for the period 2016-2030, and the Sustainable Development Vision (SDV), both of which outlined clear goals and indicators related to trade and exports.

2. Mongolia has a strong potential for green trade development

With its unique natural endowment, growing number of trade agreements at multilateral level and with key trading partners (such as Trade Facilitation Agreement, bilateral trade agreements with Japan, Eurasia Economic Union, and China), strong government commitment to sustainable development, and new initiatives from the government on export and agriculture, Mongolia is faced with increasing opportunities for green trade development.

3. Challenges remain for harnessing green trade opportunities in Mongolia

Mongolian agricultural industry, and in particular the livestock industry, is affected by extreme climate conditions, and has suffered from environmental degradation. The unsustainable and inefficient use of natural resources is present throughout entire supply chains. At the same time, Mongolian producers throughout value chains lack the knowledge and capacity to integrate into regional and global green value chains. There is also a need to improve trade facilitation and transport connectivity as a key infrastructure for trade. Finally, policy incoherence on green trade has so far limited the creation of an enabling environment to grow business in green sectors.

4. Policy recommendations to unlock Mongolia's potential in green trade

To overcome these challenges, a coherent and targeted export strategy is needed, with focus on driving export of sustainable produced agriculture products such as meat and cashmere. This could help to diversify the economy and accelerate transition towards an Inclusive Green Economy. It could include sector-oriented export promotion activities or initiatives to help producers explore global market and build brands. Standards and certification systems could be strengthened with full incorporation of sustainability considerations and link to SDGs. Technical support to policy makers and producers could help to improve capacity of identifying and harnessing green trade opportunities and connecting to regional and global value chains of sustainable products.

I. INTRODUCTION

1.1 Trade and Green Economy

The 2030 Agenda for Sustainable Development has identified trade as a cross-cutting means to implement the Sustainable Development Goals (SDGs). Trade is most visibly addressed in Goal 17; "strengthening the means of implementation and revitalizing global partnerships for sustainable development". This goal has concrete trade targets, which include[1]:

1. A universal rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organisation (WTO);
2. Increasing the exports of developing countries; in particular the Least Developing Countries (LDCs) share of global exports by 2020;
3. Duty-free, quota-free market access for all LDCs; and
4. Policy coherence for sustainable development.

Apart from goal 17, trade is also closely related to goal 2 on sustainable agriculture, goal 5 on gender equality, goal 7 on sustainable energy, goal 8 on sustained, inclusive and sustainable economic growth, goal 9 on industrialization, goal 12 on sustainable consumption and production, and goal 13 on climate action. This was illustrated in the WTO's report on Mainstreaming trade to attain the Sustainable Development Goals.

[1] UN Environment Programme, (2015). Sustainable Trade and Investment: Achieving SDGs

How trade contributes to delivering key Sustainable Development Goals

SDG 1: No Poverty
There is increasing evidence that well planned and strategically executed trade policy initiatives can impact positively on sustainable poverty reduction. Trade opening has also generated higher living standards through greater productivity, increased competition and more choice for consumers and better prices in the marketplace.

SDG 2: Zero Hunger
Eliminating subsidies that cause distortions in agriculture markets will lead to fairer more competitive markets helping both farmers and consumers while contributing to food security. The WTO's 2015 decision on export competition eliminated export subsidies in agriculture, thereby delivering on Target 2.B of this goal.

SDG 3: Good Health and Well-being
One of the main objectives under SDG 3 is to ensure access to affordable medicines for all. An important amendment to the WTO's TRIPS Agreement recently entered into force. This measure will make it easier for developing countries to have a secure legal pathway to access affordable medicines in line with Target 3.B of this goal.

SDG 5: Gender Equality
Trade can create opportunities for women's employment and economic development. Through trade, job opportunities for women have increased significantly. Jobs in export sectors also tend to have better pay and conditions. Export sectors are an important job provider for women in developing countries.

SDG 8: Decent Work and Economic Growth
Trade-led inclusive economic growth enhances a country's income-generating capacity, which is one of the essential prerequisites for achieving sustainable development. The WTO's Aid for Trade initiative can make a big difference in supplementing domestic efforts in building trade capacity, and SDG 8 contains a specific target for countries to increase support under this initiative.

SDG 9: Industry, Innovation and Infrastructure
Trade produces dynamic gains in the economy by increasing competition and the transfer of technology, knowledge and innovation. Open markets have been identified as a key determinant of trade and investment between developing and developed countries allowing for the transfer of technologies which result in industrialization and development, helping to achieve SDG 9.

SDG 10: Reduced Inequalities
At the global level, changes in development patterns have been transforming prospects of the world's poorest people, decreasing inequality between countries. WTO rules try to reduce the impact of existing inequalities through the principle of Special and Differential Treatment for Developing Countries. This allows the use of flexibilities by developing and least-developed countries to take into account their capacity constraints.

SDG 14: Life Below Water
The WTO plays an important role in supporting global, regional and local efforts to tackle environmental degradation of our oceans under SDG 14. The Decision on Fisheries Subsidies taken by WTO members in December 2017 is a step forward in multilateral efforts to comply with SDG Target 14.6, committing members to prohibit subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated fishing, with special and differential treatment for developing and least-developed countries. Members committed to fulfilling this commitment by the 12th Ministerial Conference.

SDG 17: Partnerships for the Goals
SDG 17 recognizes trade as a means of implementation for the 2030 Agenda. The targets under this goal call for: countries to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system; the increase of developing countries' exports and doubling the share of exports of least-developed countries (LDCs); and the implementation of duty-free and quota-free market access for LDCs with transparent and simple rules of origin for exported goods. The WTO is the key channel for delivering these goals.

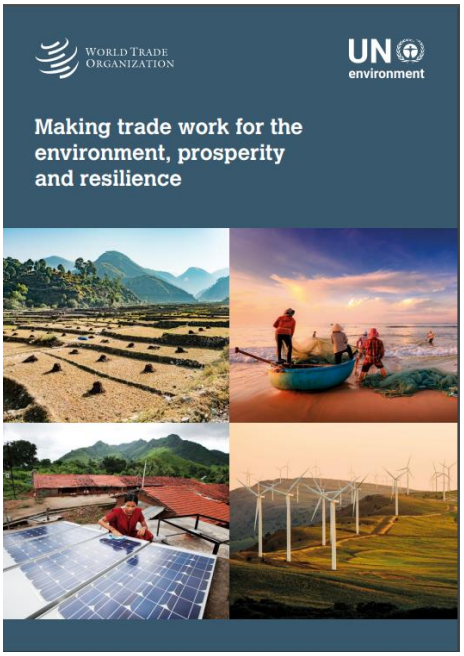
Source: World Trade Organisation (2018). Mainstreaming Trade to Attain the Sustainable Development Goals.

As an important pathway for sustainable development, Green Economy adds a new dimension on trade and sustainable development. The UN Environment defines a green economy as one that results in improved human well-being and social equity while significantly reducing environmental risks and ecological scarcities. It aims to achieve triple-wins of social, economic and environmental development.

Trade is closely related to green economy in several ways: on one hand, transition towards a green economy provides new opportunities for trade, such as in sectors of environmentally sound technologies, renewable energy, circular economy, sustainably certified consumer goods and agricultural products. On the other hand, trade policy instruments-be they market openings for environmental services, sustainability standards and certification schemes, sustainable government procurement, or trade finance for clean technologies-can facilitate the transition to a green economy. These synergies will not happen automatically. Effective policies are needed to ensure trade contributes to a healthy environment and sustainable development.

The newly launched joint publication by UN Environment and World Trade Organization entitled “Making Trade Work for the Environment, Prosperity and Resilience” (2018) highlighted key opportunities presented by trade and called for actions in several areas to expand the contribution of trade to environmental sustainability and resilience. This included strengthening multilateral cooperation and governance to tackle transboundary challenges, harnessing synergies between environmental and economic resilience, and improving policy coherence across environmental and trade domains.

UN Environment-WTO Joint Publication:
Making Trade Work for the Environment, Prosperity and Resilience



1.2 PAGE and the Green Trade Project in Mongolia

Mongolia was the first country to join PAGE in 2013 and is leading the way in reframing its economic policies around sustainability towards an inclusive green economy. PAGE support in Mongolia includes capacity development and national planning; green economy modeling and policy assessment; sustainable public procurement; green energy and efficient schools/buildings; green development indicators; green jobs study; green economy learning; waste management and recycling; sustainable finance; and green economy and trade among other components.

Trade has played an important role in Mongolia's economic and social development as well as its transition towards an inclusive green economy. For Mongolia to meet its developmental goals, it is important to: establish economic partnerships and trade agreements; develop, transfer and disseminate environmentally sound technologies on favorable terms, including clean energy technologies that reduce air and environmental pollution; realize implementation of duty-free and quota-free market access consistent with World Trade Organization decisions; and integrate into regional and global value chains.

It is in this context that the Environment and Trade Hub of UN Environment initiated the project "Harnessing trade opportunities in transition to a green economy in Mongolia" under the PAGE framework. The objective is to support Mongolia's efforts to implement the 2030 Agenda and National Development Policies by enhancing the country's capacity to identify and benefit from green trade opportunities. The project built on the work that has been done under PAGE in Mongolia and drew upon experience from other trade related work under PAGE at both national and international levels, including the E-learning course on Trade and Green Economy jointly developed by UN Environment and United Nations Institute for Training and Research (UNITAR).

As part of the project, the following activities were conducted:

1. Capacity building on trade and green economy;
2. Advisory service for trade and economic policy makers in Mongolia on how to build an enabling environment for green trade development;
3. The baseline study and experts' workshop on Trade and Green Economy in Mongolia.

Objectives of the study

- Stocktaking on green trade development in Mongolia;
- Analysis of green trade opportunities in agriculture as a key sector;
- Identify barriers and challenges to harness green trade opportunities in meat and cashmere industries including tariff and non-tariff barriers, knowledge and capacity gaps;
- Respective case studies on meat and cashmere industries.

Methodology of the study:

- Desk research on the international agenda of trade, global green trade opportunities, trade policy instruments, trade and investment agreements, sustainability standards, and its application in Mongolia.
- Review of policy documents in key economic sectors of Mongolia;
- Conduct two case studies, both through desk research and by holding interviews and focus group discussions with a variety of participants, including industry associations, private sector representatives and ministries;
- Analyze opportunities and challenges to green trade opportunities based on desk studies and stakeholders' consultations.

Workshop on Trade and Green Economy (May 2017, Ulaanbaatar Mongolia)

Roundtable meeting with key stakeholders (September 2017, Ulaanbaatar, Mongolia)

II. GREEN TRADE IN MONGOLIA

2.1 National Policy Framework for Green Development and Links with Trade

In 2014, in response to the outcomes of the 2012 Rio+20 conference, Mongolia adopted the National Green Development Policy (NGDP, Resolution of the Parliament No. 43). It provided a national framework with clear goals for green development, with focus on sustainable consumption and production, sustainable ecosystem, increased investment in natural capital, human development, green technology, and green lifestyle and education. In 2016 Mongolia approved the Action plan for implementing the Green Development Policy for the period 2016-2030[2].

Table 1. National Green Development (NGDP) Policy targets for 2020 and 2030

	Indicators (in %)	2015	2016	2020	2030
1	Share of renewable energy in total installed capacity of energy production	6.0	9.0	20	30
2	Share of reduction of building heat loss	-[3]	-	20	40
3	Waste recycling share	3.0	16.1	20	40
4	Share of expenditure in green development in total GDP	-	-	2	3
5	Share of expenditures for science and technology research in total GDP	0.5	0.04	2	3
6	Share of green procurement in total government procurement	-	-	20	30
7	Share of protected areas	13.5	13.5	25	30
8	Increased investment in environmental protection and restoration	-	-	20	30
9	Share of forest area in total territory	-	9.2	8.5	9
10	Percentage of population with access to safe drinking water	68.1[4]	-	80	90
11	Percentage of population with access to improved sanitation facilities	27.3[5]	-	40	60
12	Poverty level	21.6[6]	29.6	24	15
13	Percentage of green facilities in Ulaanbaatar city and other urban areas	-	14.3	15	30
14	Share of manufacturing in total GDP	29.6	36.9	28	30

[2] 2016 Governmental Resolution No. 35
[3] Data unavailable
[4] 2013 data
[5] 2013 data
[6] 2014 data

Source: National Statistics Office of Mongolia (2018). Green development indicators of Mongolia. www.1212.mn

In the Action plan trade was mentioned in several parts: activity 3.2.4 on trade fairs of environmentally friendly technology, and activity 3.5 on promoting the trade of low carbon and energy efficient technologies by reflecting the green development principles in international trade agreements and contracts.

In 2016, to implement the 2030 Agenda, Mongolia launched the Sustainable Development Vision (SDV) along with objectives tailored to the national context. SDV states that by 2030, Mongolia aspires to have one of the highest Gross Domestic Product (GDP) per capita incomes amongst middle-income countries. The SDV identifies 20 core indicators for measuring the performance results of SDV implementation, including the share of the processing sector exports in total exports. The SDV reflects principles of broad cooperation with international economic cooperation organizations, joining their initiatives, signing agreements on economic cooperation and free trade, and implementation of major regional projects. Special attention was given to promotion of Small and Medium Enterprises (SMEs) and supporting imports of environmentally sound technologies.

Trade related targets are stated under the goal of 2.1 on Sustainable Economic Development:

- 2.1.3: Develop export-oriented processing industry clusters and export “Mongol Brand” food products to the international markets;
- 2.1.5: Become an energy exporting country; and
- 2.1.7: Develop infrastructure and logistics networks of trade and services to improve competitiveness of export goods, reduce transportation costs and expenses of imported goods, reduce the number of days for foreign trade/exports to 25 days, and decrease the costs and expenses of trading and related activities.

The new Government of Mongolia, formed as a result of the 7th Mongolian Parliamentary election in 2016, approved the Government Action Plan 2016-2020. The 4th Part of the Action plan outlines measures to support environmental and green development policy implementation. Trade-related measures include introduction of healthy, environmentally friendly, efficient and progressive technologies that enable resource savings, recycling and reprocessing of waste; support for international development cooperation framework

for industries and businesses that have reduced greenhouse gases by developing renewable energy industry.

The Government Action Plan has also identified a number of programmes and sub-programmes related to industry and trade, such as the 21x100 Industralisation programme[7].

2.2. Trade Policy Framework in Mongolia

Mongolia has been making efforts to facilitate and expand international trade by improving market access to main trading partners, increasing exports and reducing tariff and non-tariff barriers. Important Government programmes and actions include:

- International Economic Relations Programme;
- Participation in the WTO;
- Partnership cooperation agreements with the EU; and
- Bilateral trade and investment agreements with major trading partners.

The International Economic Relations Program covers areas including national security, foreign policy, green development policy, industrials and mining, energy policy, food and agriculture, and the Export Promotion Program. The primary objectives of these programmes are to broaden opportunities to enter foreign markets, discover new markets; support domestic export-oriented businesses; introduce environmentally friendly, clean technologies, improve competitiveness of enterprises; and attract foreign investment.

Since its accession to the WTO in 1997, Mongolia has reviewed, updated and developed laws on trade, trade-related and investment policies to meet its commitment as a member of the multilateral trading system. These laws and policies concern free-trade zones, standards, sanitation, food safety, pharmaceuticals, trademarks and geographical indications, technology transfer, business registration and licensing, bankruptcy, Value Added Tax (VAT), civil legal relations (Civil Code 2002), government procurement, insurance, postal services, and rights over land and land fees.

[7] The Part "Sustainable Economic Growth" of the Government Action Plan 2016-2020, which was ratified in September 2016, states that "Industrialization 21:100" program (Build 100 enterprises in 21 aimags) will be implemented to create favorable taxation, legal and business environment for priority export-oriented sectors to substitute imports as well as for small and medium-size enterprises, cooperatives, trade and services and increase the share of the value-added products in the GDP.

Furthermore, Mongolia bound all its tariffs in ad valorem terms in its Schedule CXXXIV, at rates that vary from duty free to 75%, with an average bound rate of 17.3% and other duties and charges bound at zero (WTO 2014). Tariffs for most tariff lines are bound at 20% (section 3.1.4.3). Mongolia has no commitments on tariff quotas, domestic support, or export subsidies for agricultural products (section 4.1). Mongolia has however made various commitments under General Agreement on Trade and Services (GATS) during its accession.

In order to successfully tackle trade barriers, the Government of Mongolia acceded to the Trade Facilitation Agreement in November 2016 (Mongolia, Ministry of Foreign Affairs, 2017). The Trade Facilitation Agreement (TFA), in effect since 22 February 2017, is a landmark agreement for landlocked countries to ease trade processes, bring down barriers to trade and enhance the capacity of developing countries to better engage with the global trading network. The agreement aims to promote faster clearance procedures, enhanced conditions for freedom of transit, improved appeal rights for traders as well as reduced fees and formalities connected with the import and export of goods. The Government of Mongolia is in the process of establishing the National Committee for implementing the agreement.

Mongolia has established bilateral investment and trade agreements with 43 countries and agreements on the avoidance of double taxation with 29 countries. In July 2004, Mongolia signed the Trade and Investment Framework Agreement with the United States concerning the development of trade and investment relations between Mongolia and the United States and established the Mongolia-U.S Joint Council on Trade and Investment.

In February 2015, Mongolia concluded the Economic Cooperation Agreement with Japan, with the agreement entering into force on 7 June 2016. This Agreement is expected to promote the liberalization and facilitation of trade and investment between the two countries. It consists of 17 chapters and 10 appendices that cover and regulate the following areas: trade of goods, rules of origin, customs procedures, hygiene, plant hygiene, technical barriers to trade, service trade, investment, improvement of business environment, intellectual property, e-commerce, dispute resolution, individual movement/migration and government procurement. Under the agreement, close to 15,000 tariff lines were negotiated and agreed on.

In order to facilitate the regional economic cooperation and address existing trade barriers, the memorandum of understanding for cooperation between the Government of Mongolia and the Eurasian Economic Commission was signed by the parties in October

2015 and a joint working group was subsequently established for implementation of the memorandum (Mongolian National Chamber of Commerce and Industry, 2017). The Mongolian side proposed to launch a study on the possibility of establishing a free trade agreement between Mongolia and the Eurasian Economic Union in order to eliminate tariff and non-tariff barriers to trade.

In July 2015, Mongolia, Russia, and China signed the memorandum of understanding to establish the China-Mongolia-Russia Economic Corridor. Accordingly, three countries aim to enhance tripartite cooperation and increase the scale of trade in areas like agricultural products, energy and building materials and trade in services.

On June 23, 2016, Mongolia, Russia, and China signed a trilateral economic partnership agreement in Tashkent, Uzbekistan during the 11th meeting of the Shanghai Cooperation Organization (SCO). The agreement consists of 32 proposed projects, 13 of which are related to infrastructure connectivity between the three countries and the establishment of the Mongolia-China-Russia Economic Corridor.

The Council of the European Union during its meeting held on October 9, 2017 adopted a decision on the conclusion of the framework Agreement on Comprehensive Partnership and Cooperation (PCA) between Mongolia and the European Union signed in 2013. The PCA entered into force on November 1, 2017. It provides a general framework for promoting bilateral, regional and international cooperation between Mongolia and the European Union in areas such as trade and economy, development aid, agriculture, rural development, energy, climate change, research and innovation, education and culture. The agreement consists of 65 Articles which include cooperation areas of mutual interest in economy, financial services, industrial policy and small and medium-sized enterprises, science, technology, education, culture, energy, transport, environment, agriculture, development of rural areas, public health, social protection and statistics.

On environment, the agreement endorsed general principle of “promoting environmental sustainability, regeneration and best practices, and the preservation of natural resources”, “preventing and tackling the consequences of climate change”; reaffirmed “the need for a high level environmental protection and the conservation and management of natural resources and biological diversity, including forests, in pursuit of sustainable development”; it set the aim of promoting “the ratification, implementation of and compliance with multilateral environmental agreements” and reinforcing “cooperation on global environmental issues, in particular climate change”. It also includes provisions related to cooperation on renewable energy, reducing greenhouse emissions from

transport sector, climate change mitigation and adaptation, environmental technologies, sound management of waste and chemicals, and eco-tourism, among others.

Mongolia has been working with Eurasian Economic Commission (EEC), South Korea and China to initiate free trade agreements. In February 2017 the working group on Mongolia-EEC cooperation held its second meeting and adopted a plan of action for 2017-2018 in trade policy, customs administration, technical regulations, harmonisation of veterinary and phytosanitary standards and requirements, agricultural development, and measures to provide the necessary conditions for fair competition.[8]

South Korea and Mongolia have agreed to seek a free trade pact to expand bilateral economic cooperation. The bilateral economic partnership agreement (EPA) focuses more on industry and investment while enhancing free trade of commodities and services. Mongolia and China have also started a joint feasibility study for a free trade agreement and free trade zone.

Furthermore, Mongolia is actively seeking to expand the transportation system with neighboring countries and develop infrastructure through establishing an economic corridor between Mongolia, Russia and China, joining the Asia-Pacific Trade Agreement (APTA) and engaging in regional initiatives under APEC, ASEAN, CAREC and the Great Tumen Initiative.

In September 2018, the Government of Mongolia approved the “Mongolian Export” programme (Mongolia, Ministry of Foreign Affairs, 2018). The primary goal of the Export programme is to create favourable legal, investment, financing and taxation environment for production and export of non-mineral goods and service, support for export of value added products, enhance competitiveness of export oriented products and expand export market of Mongolia. The programme will be implemented in 2018-2022 in two stages. The Mongolian Export programme will result in the diversification of export products by increasing the number and types of agricultural processing products.

Currently, the Government is working with International Trade Center to develop “Mongolia’s Roadmap towards foreign trade and investment” (Mongolia, MFA, 2018).

[8] For more information, see http://www.bilaterals.org

2.3. Institutional Framework for Trade Policy

Between 2012 and 2016 the trade policy was a responsibility of the Ministry of Industry. After the 2016 parliamentary election, the development, planning and implementation of trade policy shifted to the Ministry of Foreign Affairs (MFA), in cooperation with several other ministries and agencies and private sector. The Ministry has the main responsibility for all issues related to trade, including trade promotion/facilitation and export development.

Other ministries that participate in the trade policy formulation include the Ministry of Food, Agriculture and Light Industry (MFALI) for agricultural products, the Ministry of Transportation and Road Development (MTRD) and the Ministry of Energy (ME) among others.

There are several agencies that are responsible for trade related issues, including the Customs Tariff Council, General Customs Authority, Mongolian National Centre for Standardization and Metrology (MNCSM), and the State Professional Inspection Agency.

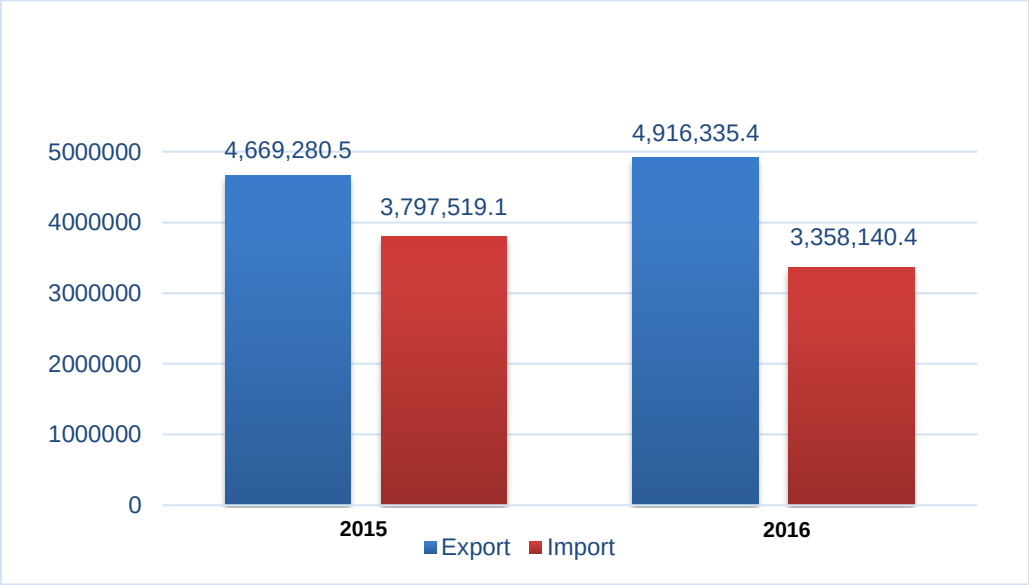
The Mongolian National Chamber of Commerce and Industry (MNCCI) also provides trade support services, including issuing certificates of origin; market research and training; trade fairs and exhibitions and project development. In addition, industry associations including the Mongolian Wool and Cashmere Federation, the Mongolian Meat Exporters Association, the Mongolian Textile Producers Federation, and the Mongolian Association of Hides and Skins have close relations with the government, international development agencies and small and medium enterprise (SMEs).

III. OVERVIEW OF GREEN TRADE OPPORTUNITIES IN MONGOLIA

3.2 Trade Profile

Foreign trade has played an important role in the socio-economic development of Mongolia. In 2016 the total trade turnover reached US$ 8.2 billion (US$ 4.9 bn exports and US$ 3.3 bn imports) (Mongolia, NSO, 2016).

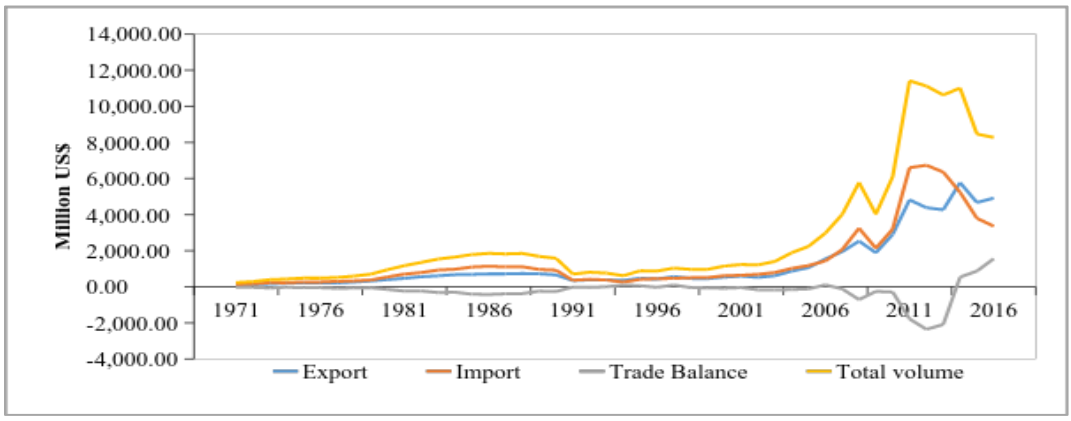
Figure 1.Total turnover of foreign trade, 2015-2016 (in thousands US$)



Source: The National Statistics Office of Mongolia (2017). www.1212.mn

Mongolia's foreign trade reached its peak in 2011 as result of GDP growth of 17.3% compared to the growth rate of 6.4% in 2010. This was mainly because of the increase in foreign direct investment in the mining industry, upward price trends for commodities, such as copper, gold and iron, an increase in export volumes and an increased demand for transportation infrastructure and transportation services driven by the economic development in Mongolia. Since then the Mongolian economy has experienced slowdown resulting in shrinkage of foreign trade.

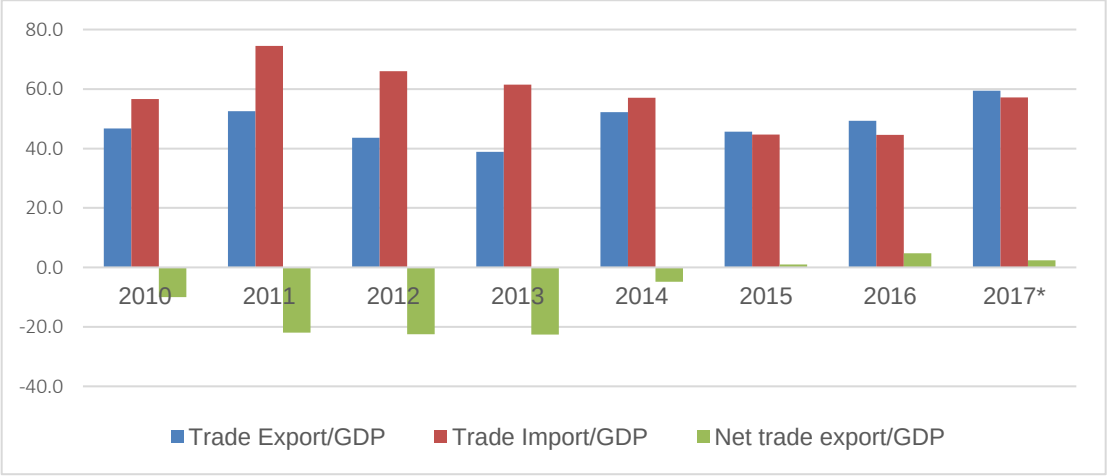
Figure 2. Total foreign trade turnover



Source: Mongolia, National Statistics Office (2017). www.1212.mn

As seen in Figure 3, the share of net trade export in GDP has increased since 2014, due to the rate of imports declining faster than that of exports. The major factor that has resulted in decreasing import was reduction of foreign direct investment in mining sector and reduced import of mining equipment and machinery.

Figure 3. Share of trade in GDP

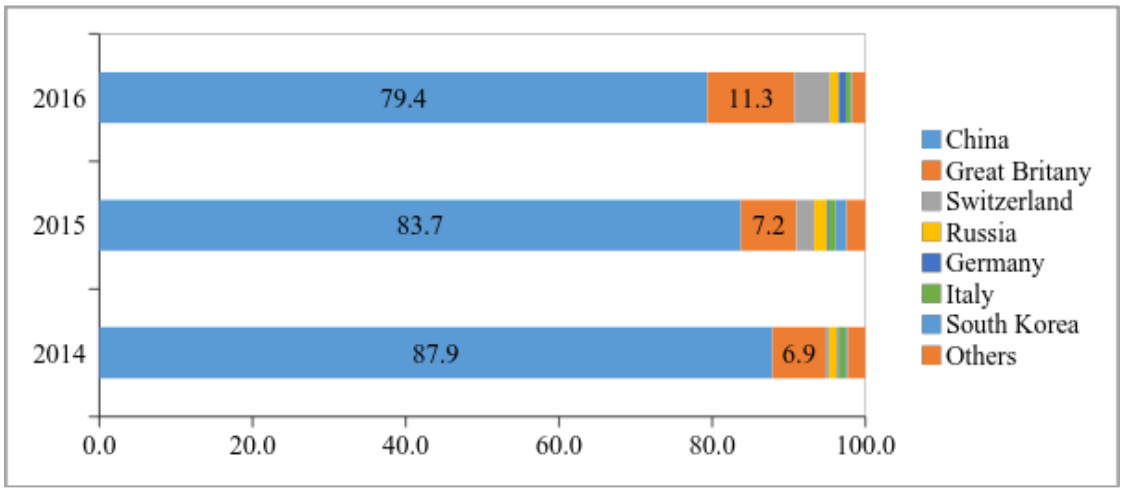


Source: Mongolia, National Statistics Office (2018). www.1212.mn

The main trading partners of Mongolia are China, UK, Switzerland, Russia, Germany, Italy and South Korea. Mongolia depends on China for more than 60% of its external

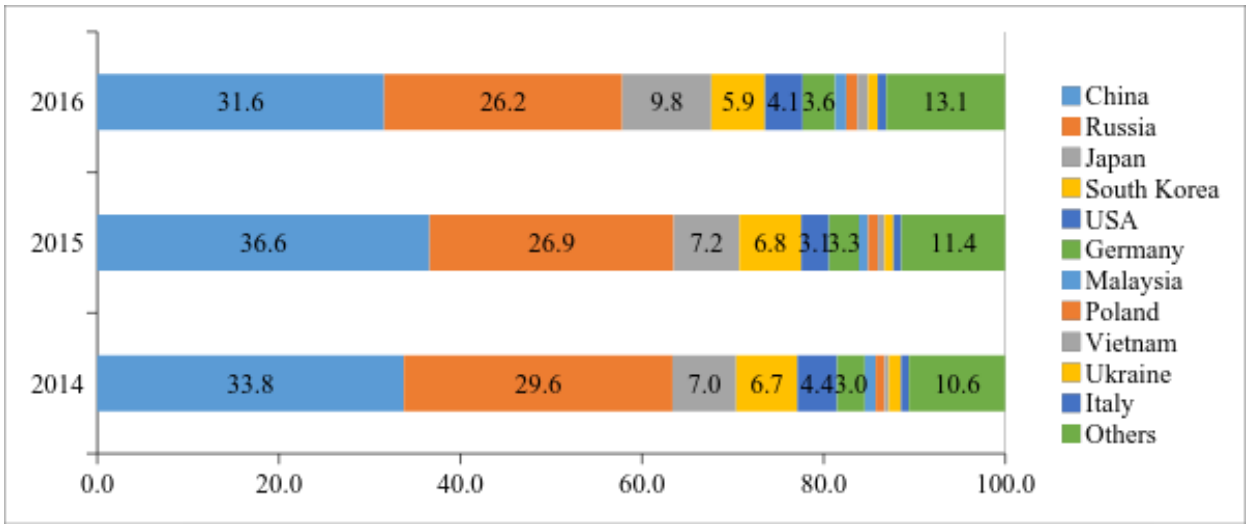
trade - China receives 90% of Mongolia's exports and supplies Mongolia with more than one-third of its imports. Mongolia also relies on Russia for 90% of its energy supplies.

Figure 4. Share of main trading partners in Mongolia's total export, 2016



Source: Mongolia, National Statistics Office (2017). www.1212.mn

Figure 5. Share of main trading partners in Mongolia's total import, 2016



Source: Mongolia, National Statistics Office (2017). www.1212.mn

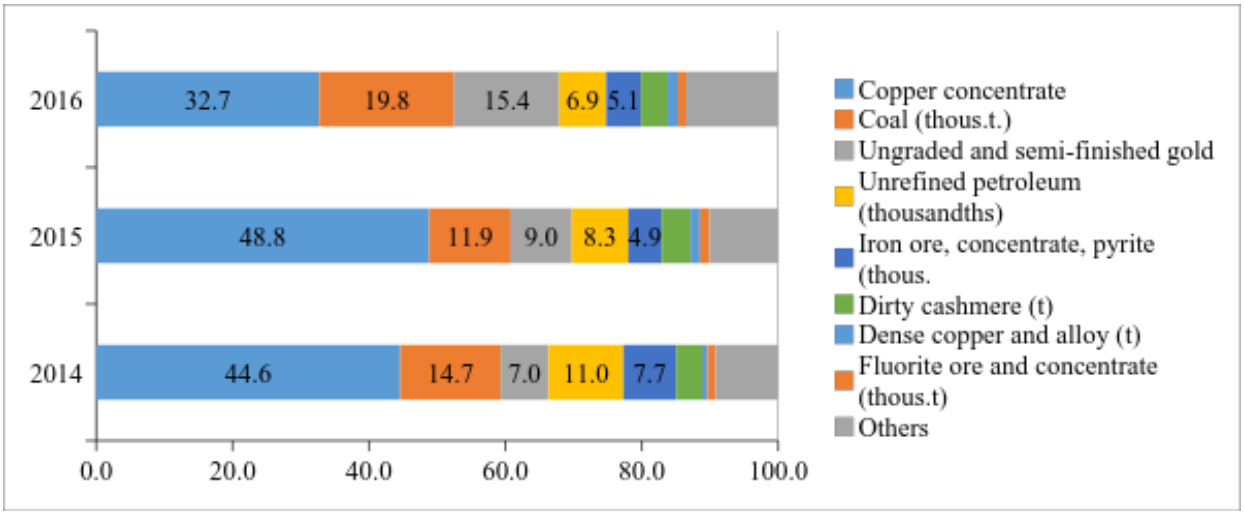
Table 2. Trading partners by countries, 2012-2016, million. US$

Countries	2012	2013	2014	2015	2016
Europe	157	359,	594	591	934
Asia	4,103	3,758	5,162	4,055	3,965
South Korea	12	13	13	67	8
P.R. China	4,060	3,706	5,073	3,910	3,902
Japan	6	11	24	20	14

Source: Mongolia, National Statistics Office (2017). www.1212.mn

Mongolia's exports are concentrated in a few items; mineral products and commodities make up 89% of the entire export. Cashmere products are also gaining momentum. In addition, food products are emerging with great export potential.

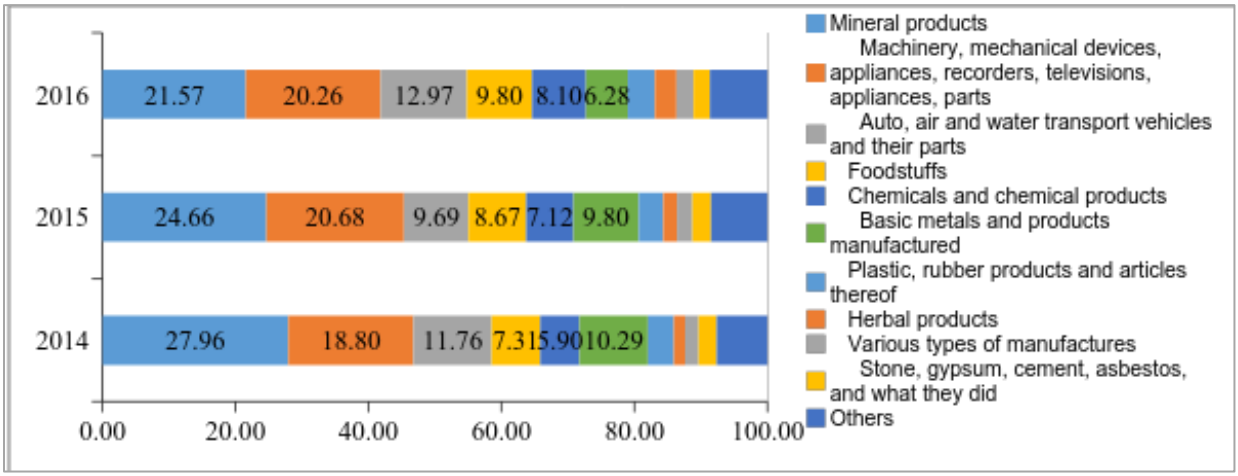
Figure 6. Share of main export products, 2014-2016, in percentage



Source: Mongolia, National Statistics Office (2017). www.1212.mn

Mongolia's imports compose of machinery, mechanical devices, electrical appliances, chemical products, automobiles and food products. Food imports have grown between 2014 and 2016. Import of chemicals and chemical products has declined due to economic slowdown. Furthermore, price fluctuations of mineral products have resulted in import decline of mining related equipment.

Figure 7. Share of main import products, 2014-2016, in percentage



Source: Mongolia, National Statistics Office (2017). www.1212.mn

3.2 Green Trade Opportunities in Agricultural Sector

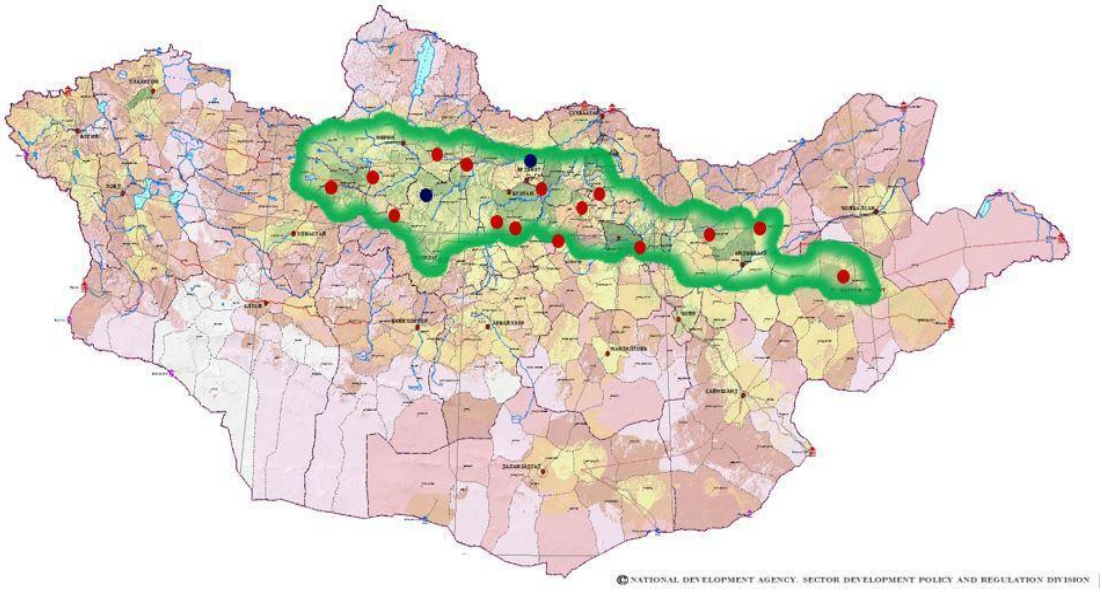
3.2.1 Agricultural sector policy

Agriculture has been identified as a priority economic sector in the Sustainable Development Vision 2030 (SDV). The agriculture-related objectives of the SDV include: preserving the gene pool and improving the resilience of pastoral livestock breeding to climate change; creating a proper flock structure of livestock in line with grazing capacity; developing intensive livestock farming; adopting new and efficient irrigation technologies; increasing the area of irrigated arable lands; increasing the use rate of zero-tillage farming technology in grain fields; reducing soil degradation and erosion; supporting herders, herder groups and small and medium sized farmers by providing modern technologies and electricity and through leasing, concessional loans and other financial instruments.

The agriculture-related approaches to achieve the objectives of the 2014 Green Development Policy are to improve agricultural products supply chains and networks, support the introduction of environmentally friendly storage and packaging technologies for agricultural products and increase the processing of raw materials such as leather, wool and cashmere. The 2016 Action Plan for the Implementation of Green Development Policy for the period 2016-2030 envisages the development of a climate change adaptation strategy for the agricultural sector.

Mongolia has prioritized the Khangai and Central regions as the main regional development areas, and the Khangai region has been selected as the priority economic area for environmentally sustainable meat and dairy products, quality leather, wool and cashmere. It is planned to establish an Agro Production and Technology Park which aimed to increase the productivity and logistics accessibility of agricultural products including vegetables, leather, wool, cashmere, milk, dairy products, meat and meat products. Currently, more than 40 sites have been selected, of which 8 are planned to be developed during the initial stage.

Figure 8. Map of agricultural development corridor



Source: Japanese International Cooperation Agency (2017). *Detailed Report on General Study on Regional Development of Mongolia*.

3.2.2. Agricultural production

Mongolia's agricultural sector comprises of animal husbandry, dairy farming, agro-processing, field crops, vegetables, honey production and fruits and berries production. The agricultural sector accounts for nearly 14 per cent of total GDP. Livestock sub-sector accounts for more than 87 per cent of agriculture production. As intensive livestock farming practices are not developed, livestock is spread over a vast territory.

Table 3. Share of agriculture in total GDP

Indicators	1995	2000	2005	2010	2011	2012	2013	2014	2015
% of agriculture in GDP	38.0	33.4	21.7	15.9	13.0	14.6	14.8	14.0	13.7
% of livestock in Agricultural production	85.2	87.6	82.2	75.0	79.2	81.2	88.1	82.9	87.2

Source: Mongolia, National Statistics Office (2016). www.1212.mn

Mongolia has 111 million hectares of pastureland and 1.7 million hectares of land for harvesting. As of 2016, 161 thousand households herd 61.5 million heads of livestock, doubled 2010 figures. Livestock is largely comprised of sheep (44%) and goats (42%), with goat numbers growing the fastest (149% over the same period).

Pastureland and harvest land accounts for 97% of Mongolia's agricultural land. Of the total pastureland 52.9 million hectares are used in the winter and spring, while 60.3 million hectares are used in the summer and fall.

Mongolians have traditional and nomadic animal husbandry based on mobility of people and animals throughout all four seasons. Mongolian animal husbandry is similar to livestock production, but it is very specific from livestock farms in other countries.

Livestock sector production more than doubled between 2010 and 2016 (at current prices). Key livestock products of Mongolia are meat, milk, wool, cashmere, skin and hide.

Table 4. Livestock production, in tons

Meat, volumes slaughtered, thousands tons	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
	201.2	219.6	220.4	249.2	242.6	373.1
Horse	23.0	25.5	31.2	29.8	29.5	50.8
Beef	47.5	54.8	59.7	57.7	54.9	93.2
Camel	5.8	6.2	5.3	6.7	6.4	8.2
Mutton	77.4	75.4	67.2	91.0	91.3	134.6
Goat	49.1	44.7	56.3	64.0	60.5	86.3
Milk, thousands tons	338.4	458.9	511.0	666.9	765.4	874.3
Mare milk	32.1	50.9	56.7	65.1	75.0	85.1
Cow milk	242.8	298.8	338.6	380.6	440.4	512.4
Camel milk	4.0	4.6	5.8	7.5	9.3	9.0
Sheep milk	22.4	33.4	35.9	74.2	84.7	95.2
Goat milk	37.2	70.9	73.9	139.5	156.0	172.6
Wool and cashmere, tons	32592.2	24490.6	26810.0	28676.6	31556.1	36321.9
Camel	1066.8	1038.5	1079.3	1437.5	1510.5	1643.6
Sheep	23467.4	17646.6	19100.9	20229.2	22318.7	25820.8
Goat cashmere	6259.1	4420.9	5086.8	7009.9	7726.9	8857.5
Skin and hides, thousand pieces	16784.4	8743.8	8766.5	10699.6	10007.2	14703.9
Camel	35.4	30.3	25.8	32.7	30.5	40.0
Horse	406.3	208.0	245.9	247.1	235.4	397.0
Cattle	735.7	446.6	472.8	493.2	438.8	733.1
Sheep	6955.9	4384.6	3720.1	5239.4	4979.0	7363.5
Goat	6371.5	3258.0	4022.2	4687.2	4323.5	6170.3

Source: Mongolia, Ministry of Food, Agriculture and Light Industry (2017).www.mofa.gov.mn

During this same period, volumes of slaughtered meat increased by 11% annually, while wool and cashmere increase by 2% annually.

Table 5. Animal husbandry production domestically produced

	Units	2010	2011	2012	2013	2014	2015
Processed meat	Thousand tons	14.7	16.4	16.6	19.3	16.8	12.6
Processed milk	Millions liters	33824.4	42677.4	53184.9	63942.9	71148.3	70349.6
Washed wool	Tons	2294.6	1845.0	1075.2	893.7	1386.7	1777.8
Combed wool	Tons	15.3	-	-	-	-	-
Combed cashmere	Tons	824.7	874.3	874.3	521.8	633.2	754.5
Cow hide	Thousand pieces	24.2	44.6	63.3	54.4	92.1	274.2
Sheep skin	Thousand pieces	390.5	383.5	690.7	264.4	625.4	136.6
Goat skin	Thousand pieces	198.3	480.2	1184.3	894.9	1313.8	1769.4

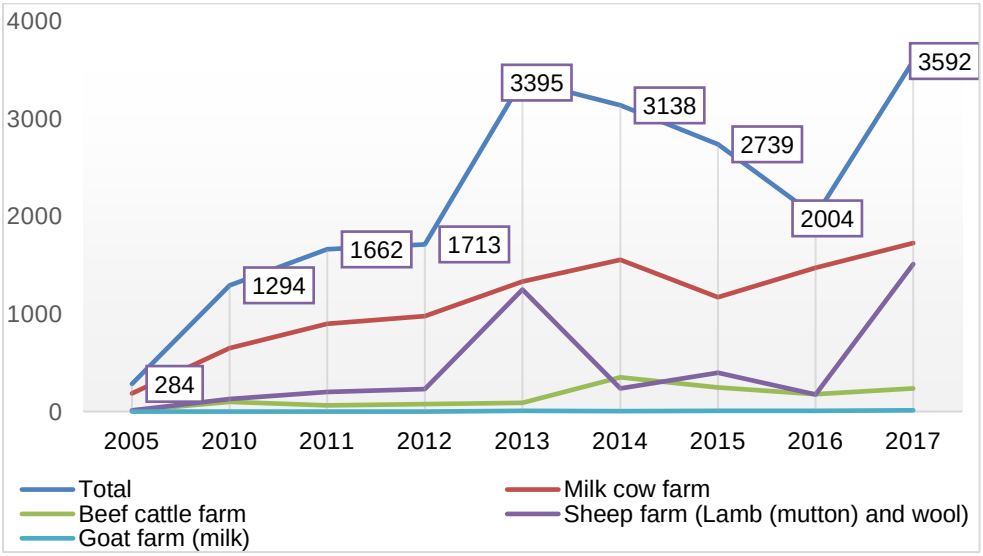
Source: Mongolia, Ministry of Food, Agriculture and Light Industry (2017).www.mofa.gov.mn

Processed meat declined 2.54% annually during the period 2010-2015. Similarly, combed cashmere declined by 0.47% during the same period.

The number of intensive livestock farms[9] in Mongolia has grown over the years. By 2017, Mongolia had 3,592 intensive livestock farms and 48% and of them were milk cow farms and 42% were sheep (lamb/mutton and wool) farms (MFALI 2018). There were 236 beef cattle farms with 28,788 cows in 2016.

[9] Intensive livestock farm is not clearly defined in policy and legal documents of Mongolia. The World Bank (2009) report states that intensively managed livestock production system (ILPS) in Mongolia has several forms; a) adjacent to urban areas (including soums and aimags as well as large urban areas such as Ulaanbaatar and Darkhan), the ILPS focuses on producing specialty products such as milk, eggs, and meat from swine, chickens, and rabbits and b) the other form of the ILPS is the integrated crop-livestock production system designed to support large animal livestock production.

Figure 9. Number of Intensive Livestock Farms, 2005-2017



Source: Mongolia, Ministry of Food, Agriculture and Light Industry (2018). *Intensive livestock farming*. http://mofa.gov.mn/exp/blog/7/4

3.2.3. Export potential of agricultural products

With the exception of cashmere and wool, Mongolian animal products constitute only a small share of foreign markets. Livestock products — wool, meat and skins — only constituted approximately 7% of total exports in 2016, according to Mongolian Customs data. Table 6 shows that in 2016, main exported agricultural products included: sheep wool, horse meat and greasy cashmere.

Table 6. Key agricultural products exported in 2010-2016, in USD, in thousands

Main commodities	2010	2011	2012	2013	2014	2015	2016
Frozen beef (t)**	3,760	5,711	917	48	480	740	724
Sheep or lamb skin leather (mln.dm2)	150.9	331.5	182.5	162.2	110.2	147.7	29.2
Horse meat (t)	10,925	3,865.10	1,462.10	2,597.80	1,822.20	3,856.90	7,983.60
Skin leather of goat and	106.0	120.9	61.1	92.1	128.8	122.3	61.7

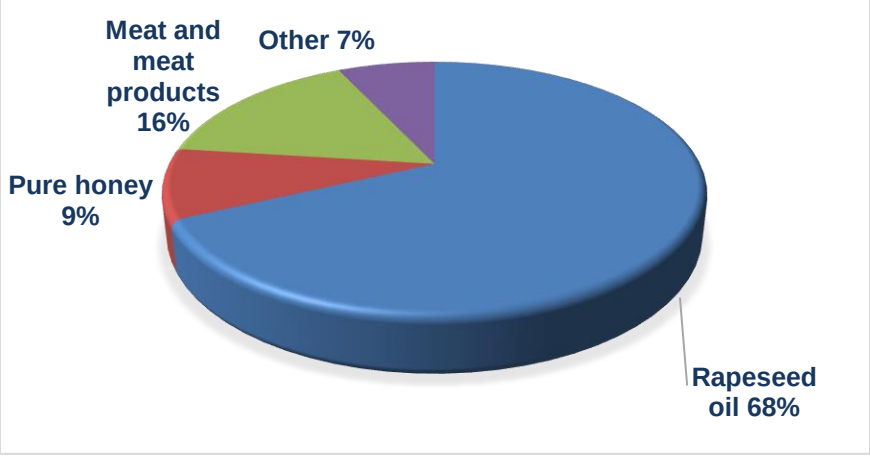
goating (mln.dm2)							
Raw hides and skins of bovine animals (thousand. pcs)	2.9	Data not available	4.0	140.5	174.6	111.7	45.4
Sheep wool (t)	7,995.60	8,428.10	4,494.30	2,388.40	7,351.30	11,450.30	14,090.70
Greasy (raw) cashmere[10] (t)	3,103.90	2,829.50	3,597.80	4,077.90	4,035.40	4,988.20	5,413.50
Combed goat down (t)	976.5	537.1	532.9	564.5	636.6	558.9	509
Edible meet offal (t)	2,094.60	414.6	821.2	790.4	202.8	42.7	8.4
Guts, bladders and stomachs of animals (t)	644.9	713	352.7	490.8	339.6	424.9	415.5

Source: Mongolia, National Statistics Office of Mongolia (2017). www.1212.mn

** data from ITC

Figure 11 shows Mongolia's export of food products in 2016. Of all food exports, rapeseed oil accounted for 68%, while meat and meat products accounted for 16%, and pure honey 9%. Other products include dairy, nuts, berries, tea.

Figure 10. Export of Food Commodity and Products, in percentage, 2016



Source: Mongolia, National Statistics Office (2017). www.1212.mn

[10] Greasy (raw) cashmere is a mixture of fine underdown (which after processing becomes commercial grade cashmere) and coarse outer guard hairs, along with dirt, sand, animal grease, vegetable matter. and other impurities. The greasy cashmere can either be shorn or combed from the goats (APLF 2013).

3.3 Outlook for green trade

Mongolia does not have data on trade in organic products or sustainably produced products.

Mongolia has been assessing some sustainability standards for policy and regulation development. In 2014, the Mongolian National Chamber of Commerce and Industry approved the Procedure for issuing “Certified Organic” labels.

The Government of Mongolia, with the support of UN FAO developed a law on organic food, taking into consideration IFOAM COROS. The law went into force in January 2017, and aims to regulate all aspects of organic agriculture, from the production of organic food, feed and fertilizer, to their certification, trade, import, use of organic logo and advertisement. Article 11 of the Chapter 3 provides provisions on organic production, control and organic food. According to the law, three types of organizations can provide an assessment of organic production. These are national organizations accredited by the Standardization and Metrology Agency of Mongolia, certified foreign organizations and producers in the value chain and production who have jointly created such an organization.

For national security purposes, Mongolia also imposes license requirements on the import and export of food and agricultural products defined as critical to national security. According to the interim regulation on issuing export/import licenses for strategic food products, strategic food is defined in Article 3.1.6 of the law, and includes: (a) liquid and powdered milk; (b) meat of cattle, horse, camel, goat, and sheep processed by other than heating; (c) wheat flour; and (d) potable water.

IV. CASE STUDY ON MEAT INDUSTRY

4.1 Environmental Impacts of Meat Industry

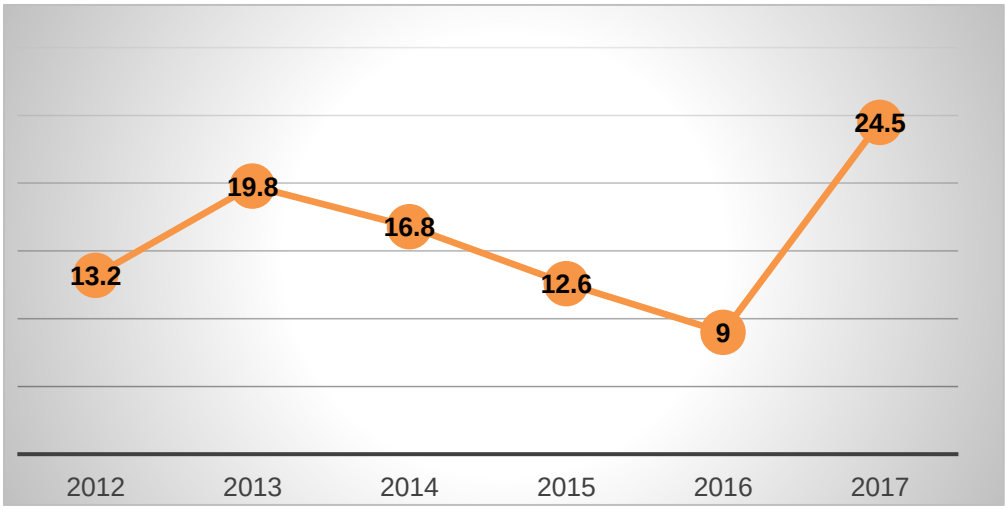
The meat industry has traditionally been an important economic sector in Mongolia. Despite its increased production, revenue generation, employment and export growth, the meat industry is affected by extreme climate conditions and the producers across the value chain are increasingly vulnerable to climate change.

The livestock industry has negative environmental impacts, demonstrated by soil erosion, land degradation, air and water pollution, biodiversity loss, waste generation, and GHG emissions.

4.2 Meat Production

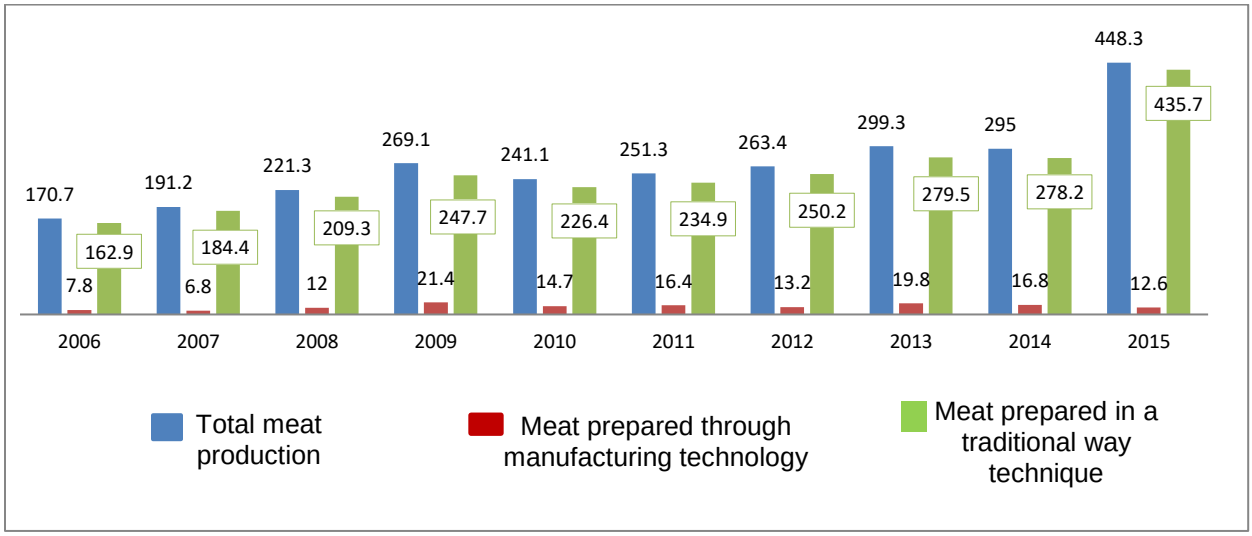
According to the report by the MFALI, there were 123 meat processing plants nationwide (MFALI, 2018). Of these plants, 79 are located in Ulaanbaatar and 44 in the countryside. Around 97% of meat is slaughtered by herders instead of in modern abattoirs. In 2015, meat production was 448.3 thousand tons, but meat processed through large-scale mechanized means was only 12.6 thousand tons, less than 3% of total production. Processed meat through manufacturing technology however doubled by 2017, reaching 24.5 thousand tons.

Figure 11. Meat processed through manufacturing technology, 2012-2017, thous. tons



Source: Mongolia, Ministry of Food, Agriculture and Light Industry (2018). www.mofa.gov.mn.

Figure 12. Total production, processed and traditionally prepared meat, thous. tons



Source: Mongolia, Ministry of Food, Agriculture and Light Industry (2016). www.mofa.gov.mn

The Mongolian meat industry has suffered from poor veterinary service and Food and Mouth Disease (FMD). According to MFALI, in 2010 there were FMD cases in 22 *soums* (counties) of Mongolia. In 2016, FMD was only found in one soum.

The Government finances efforts for the prevention and treatment of animal diseases, and state financing largely goes to combating diseases (65%), prevention (17 %) and disinfection and decontamination (13%). In 2017 vaccination in FMD vulnerable areas was undertaken in 75 soums in Central, Govisumber, Dornogovi, Khentii, Dornod, Khovd, Bayan-Ulgii aimags and 7 districts of Ulaanbaatar. In total 7.2 million animals were vaccinated.

Mongolian Meat Association members and ministry officials have identified modernizing domestic slaughtering capabilities as a mechanism to reduce the cases of FMD. Centralizing the meat production system will allow for tracking, accountability and measuring, resulting in sizeable reduction of a number of livestock with FMD.

4.3 Export Situation of Mongolian Meat and Meat Products

Meat is exported through several border points. Raw meat and by-products can be exported through 16 points and live animals can be exported through 11 points (MFALI 2016).

Table 7. Export volume of meat, 2005-2016, in thousand tons

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
7,8	11,5	10,9	10,3	18,0	26,0	10,2	3,1	3,0	2,2	2,8	8,5

Source: Customs Authority of Mongolia (2016).www.customs.gov.mn

Between 2005 and 2010, Mongolia's meat export grew by 233%, peaking at 26 thousand tons in 2010. However, meat exports subsequently declined between 2011 and 2014. The sharp decrease of meat export from 2010 to 2011 was in large part due to the extreme winter weather conditions which occurred that year, known as *dzud*. Deep snow and other factors resulted in large scale starvation amongst animals, with herders losing around 20% (8.5 million) of Mongolia's total livestock (The World Bank, 2012). Following the loss of animals due to *dzud,* the Government passed a resolution imposing an export quota in to ensure the sustainability of meat supply in the domestic market, and prevent significant meat price fluctuation. This resolution was only dissolved by government in 2016.

Exports rebounded in 2016 to 8.5 thousand tons, and according to MFALI, exports climbed to 29.3 thousand tons of meat in 2017, completely reversing the decline and peaking 2010 figures.

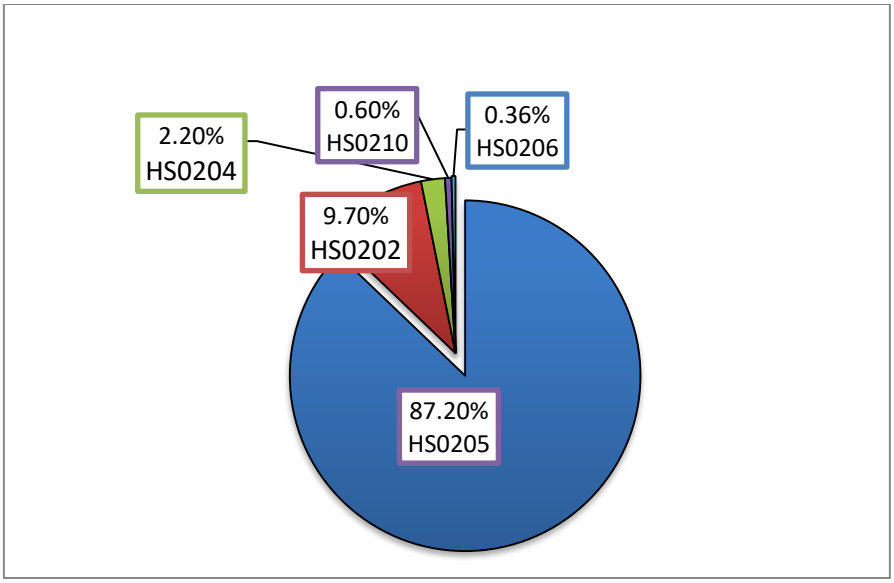
According to Trade Map of the International Trade Center (ITC), the Mongolian meat export structure consisted of beef, mutton, horsemeat, and goat meat in 2016 (Figure 13).

Mongolia mostly exported horse meat[11], which accounted for 87.2% of total Mongolian meat export. Beef[12] accounted for 9.7%, edible offal of bovine[13] 0.36%, while sheep and goat meat[14] accounted for 2.2%. Meat products were mainly exported to China, Russia, Japan, Kazakhstan, Vietnam, Hong Kong (China) and Qatar.

[11] HS0205
[12] HS0202
[13] HS0206
[14] HS0204

Mongolia was ranked as the 8th largest global exporter of horse meat in 2016, far ahead of its other exports. Meat exports of beef, sheep and goat, salted edible offal[15] and edible offal of bovine animals, swine, sheep, and goats were ranked 62nd, 63rd, 71st and 86th globally in 2016.

Figure 13. Meat export structure of Mongolia in 2016, in percentage



HS0202: Meat of bovine animals, frozen

HS0204: Meat of sheep or goats,

HS0205: Meat of horses

HS0206: Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh...

HS0210: Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat

Source: International Trade Center (ITC). www.trademap.org

4.4 Tariff and Non-tariff Barriers

Mongolia has plenty of opportunities to increase meat exports by accessing new market. According to ITC Trade Map, some countries generally exempt their meat import tariffs while others have very low tariffs. Most of world's meat importers are members of APEC, ASEAN and North-East Asia Economic Integration. The markets that apply low level of tariffs between 0.0 % - 5.0 % for beef (HS0202) are Singapore, Egypt, Hong Kong (China), China, Malaysia, Israel, Chile, Iran, United Arab Emirates, Saudi Arabia and Indonesia.

[15] HS0210

Box 1. HS Codes.

Trade data is generally depicted according to the Harmonized Commodity Description and Coding System (HS Codes). HS codes represent different products categories at differentiated levels of aggregation; the more digits the HS code has, the more descriptive and distinct the products. HS codes are internationally standardized up to the six-digit (HS6) level. This enables the comparison of trade data among countries. However, within the HS6 level no distinction is made between traditional and organic products. HS codes beyond the six-digit level are subjective to specific countries and the products they trade. This has created the opportunity for countries to differentiate between conventional vis-à-vis organic trade data. Currently, only a small number of countries, including the USA and some EU countries, have started to identify organic trade HS codes beyond the HS6 level.

Source: World Customs Organisation

Table 8. Average applied tariff for top importers (HS0202: Meat of bovine animals, frozen product)

#	**Importers**	**Average tariff (estimated) applied by the country (%)**
1	Singapore, Egypt, Hong Kong (China), China, Malaysia, Israel	0%
2	Chile, Iran, United Arab Emirates, Saudi Arabia, Indonesia	3.4 %-4.8%
3	United States of America, Philippines, Taipei, Chinese, Brazil, the EU	8.5%-13 %
4	Viet Nam, China, Russian Federation, Canada, Venezuela,	15.7%-18.8%
5	Algeria, Japan, South Korea	29.9% - 38.6%

Source: ITC trademap.org

The countries that use very low import tariff of 0% - 2.7% for meat of sheep and goat (HS0204) are APEC members such as Japan, Malaysia, Singapore, Hong Kong, China and Indonesia, and the EU.

Table 9. Import tariff for top importers (HS0204: Meat of sheep or goats, fresh, chilled or frozen)

	Importers	Average tariff (estimated) applied by the country (%)
1	Japan, Malaysia, Singapore, Papua New Guinea, Hong Kong (China) [16]	0%
2	United States of America, Canada, Jordan, Bahrain, Oman, United Arab Emirates, Saudi Arabia, Qatar, Kuwait	0.2%- 2.7%
3	France, United Kingdom, Germany, Belgium, Netherlands, Italy, Sweden, Spain, Portugal, Denmark, Brazil	8.2%-9.5%
4	Chinese Taipei[17]; South Korea, China	15.5%-17,4%

Source: ITC trademap.org

The markets that impose import tariffs between 0.0 and 5.0% for horse meat include Japan, the United States of America, South Africa and the EU.

Table 10. Import tariff for top importers (HS0205: Meat of horses, asses, mules or hinnies, fresh, chilled or frozen)

	Importers	Average tariff (estimated) applied by the country (%)
1	Japan, United States of America, South Africa	0%
2	Italy, Belgium, France, Netherlands, Germany, Finland, Bulgaria, Luxembourg, Poland, Sweden, Hungary, Spain, Czech Republic, Austria, Slovakia, Malta, Romania, Slovenia, Estonia, Indonesia	1.4% - 4.8 %
3	Russian Federation, Kazakhstan, Viet Nam,	9.5 %-10.9%
4	China	21%

[16] Hong Kong is a separate member at the World Trade Organization.

17 The UN designation for this member is "Taiwan Province of China". However, it is known as Chinese Taipei at the World Trade Organization, and its tariffs are applied under this terminology. It will therefore be referred to as such throughout this publication.

Source: ITC trademap.org

Table 11. Import tariff for importers (HS0206: Edible offal of bovine animals, swine, sheep, goats, horses, asses, mules or hinnies, fresh)

	Importers	Average tariff (estimated) applied by the country (%)
1	Hong Kong (China), Canada, Singapore, Peru	0
2	United States of America, the EU, Egypt, Saudi Arabia, Indonesia	0.3%-4.8%
3	South Africa, Russian Federation, Philippines, Viet Nam	5.8%-8.8%

Source: ITC trademap.org

Table 12. Tariff barriers by meat importers

	Countries	Import tariff barrier
1	Lebanon, Australia, Bahamas, Brunei Darussalam, Comoros, Israel, Libya, Malaysia, Maldives, Mauritius, New Zealand, Singapore	0%
2	Qatar, Indonesia, Lao, People's Democratic Republic, Saudi Arabia, United Arab Emirates, Afghanistan	0% -10%
3	Albania, Angola, Cuba, Kosovo, Nepal, the Philippines, Yemen, Peru, Argentina, Brazil, China, Iceland, Costa Rica, Vietnam	11% -14, 97%
4	Myanmar, Ukraine, Tajikistan, Armenia, Morocco, Kazakhstan, Belarus, Kyrgyzstan, Montenegro	15%-19, 83%
5	Russian Federation, Turkey, Canada, India, Japan, Korea, Republic of, EU countries	20% <

Source: ITC. macmap.org

Table 13. Import tariff for top importers (HS0210: Meat and edible offal, salted, in brine, dried or smoked; edible flours and meals of meat)

	Importers	Average tariff (estimated) applied by the country (%)
1	Hong Kong (China), Australia, Singapore, Bahamas	0%
2	United States of America, United Arab Emirates, and the EU	0.3%-5.0%
3	Angola, Canada, Japan, Brazil, Mexico	5.6%-9.6%
4	Republic of Korea, Serbia	22.9%-24.9%

Source: ITC trademap.org

4.5 Sustainability and Organic Standards for Meat

According to the International Institute for Sustainable Development (IISD), sustainability standards are guidelines for producing, selling and purchasing products in a sustainable manner that provide manufacturers and retailers with information about the reliability and safety conditions behind a product. These standards also provide consumers with information about the sustainability efforts taken for their production and manufacturing, with the aim of positively affecting communities, the environment and the economy (IISD 2017).

International Federation of Organic Agriculture Movements (IFOAM) defines “Certified organic products are those which have been produced, stored, processed, handled and marketed in accordance with precise technical specifications (standards) and certified as "organic" by a certification body”. There are several organic and sustainability standards applicable to meat and meat products.

- **UNECE standard:** “Bovine meat carcasses and cuts”. The purpose of the standard is to facilitate trade by recommending an international language for use between buyers and sellers. This standard recommends an international language for raw (unprocessed) beef (bovine) carcasses and cuts marketed as fit for human consumption. It provides purchasers with a variety of options for meat handling, packing and conformity assessment that conform to good commercial practice for meat and meat products intended to be sold in international trade. The minimum requirement of the standard is that all meat must originate from animals

slaughtered in establishments regularly operated under the applicable regulations pertaining to food safety and inspection.

- **IFOAM Family of Standards** are mainly used for international trade in organic products and export controls. IFOAM's accreditation system is linked with accountability systems, and is a form of certification. The certification body is accredited by IFOAM and complies with the basic IFOAM standards and compliance with the certification and the certification system. Internationally, most certification bodies are accredited by IFOAM. Producers who have obtained certificates from these organizations are able to export the products to other countries. IFOAM Family of Standards also define organic practices which are sets of requirements applicable to organic operations (including farmers, processors and traders). It is the only tool set up to enable multilateral equivalence between technical regulations and organic certification agencies across continents, such as Biocert India and Argencert.
- **Biocert International Pvt Ltd**: First organic certification agency from India accredited according to IFOAM by the International Organic Accreditation Service, USA (IOAS).
- **EU Organic Farming standards.** This voluntary standard is for developing organic farming. EU organic farming standard covers not only production and processing, but also the control and labelling of organic food. Every member state must designate authority/ies to control organic farming. Operators including farmers, processors, traders and importers must notify their activities to the EU authority responsible for controls in their Member State and must be checked by a control body or control authority before they can obtain organic certification for their products.
- **Animal Welfare Approved** reflects each farmer's ability to design management practices with the basic goal of allowing animals to live naturally. The organization audits, certifies, and supports independent family farms raising beef and dairy cattle. AWA has the most rigorous standards for farm animal welfare and environmental sustainability currently in use by any U.S. farm program. AWA is one of only two labels in the U.S. that require audited, high-welfare slaughter practices, and is the only label that additionally requires pasture access for all animals.
- **ARGENCERT IFOAM Program:** This program, complementary to the ARGENCERT Program, verifies compliance with the requirements of IFOAM (International Federation of Organic Movements) and allows the use of its seal.

- **GAP:** This programme has five steps for member farmers. Farmers must ensure animals have access to an enriched environment, the outdoors, or pasture. Each specific set of standards outlines criteria for feed and water usage, medication use, and breeding.
- **GRSB:** The Global Roundtable for Sustainable Beef defines sustainable beef as a socially responsible, environmentally sound and economically viable product that prioritizes the planet, people, animals and progress.

4.6. Mongolia's National Tariff, Customs duties, Licenses and Standards

Customs tariffs and duties are regulated by the Customs Tariff law of Mongolia. According to the law, the customs tariffs of Mongolia are classified as ordinary and follow the MFN principle. Mongolia imposes a five percent import tax on most imported goods. Mongolia does not impose quantitative restrictions on imports and exports, and no tariff quotas are used. Exports are exempt from excise tax and value-added tax (VAT).

Mongolia imposes license requirements on the import and export of food and agricultural products defined as critical to national security. The Law of Mongolia on Food (2012), includes: (a) liquid and powdered milk; (b) meat of cattle, horse, camel, goat, and sheep processed by other than heating; (c) wheat flour; and (d) potable water as strategic food. The interim regulation on issuing export/import licenses for strategic food (Resolution 77 dated March 2, 2013) states that licensing and import of strategic food shall be based on open tender for any given year and the National Council on Food Security shall define the type and amount of strategic food to be exported/imported based on proposals by the Ministry in charge. In order to facilitate meat export and improve the quality for meat production, several standards[18] have been approved and entered into force:

Mongolia controls and maintains the organic food by the **"Law of Mongolia on Organic Food"**, which has provisions on "Organic Production", "Organic Food Certification, Labeling, and Registration", among others.

The Mongolian National Chamber of Commerce and Industry has a mandate to implement several green projects such as "3C program - clean environment, clean food and clean production", "Green Products and Eco labeling in Mongolia". As a result, over 20 companies have been assessed for clean production management. However, the

[18] MNS 5998-2009, MNS 2456-2009, and MNS 2457-2009

majority of national producers still lack the capacity to meet clean production requirements, including environmental sustainability.

4.7 Export Opportunities for Sustainably Certified and Organic Meat Products

Potential markets for meat exports

China: The most attractive market for Mongolia is China. China provides a geographically favorable and massive market. Its meat consumption rose to approximately 28% of the global total. Per capita meat consumption in China has skyrocketed from 13 kg in 1982 to 63 kg in 2016, and is predicted to grow to 93 kg by 2030. The U.S. Meat Export Federation estimated that China imported 4.5 million tons of meat in 2016 from overseas suppliers such as Uruguay, Canada, and Argentina. The Australian Bureau of Agriculture and Resource Economics and Sciences estimated that by 2050, China will import a total of US$ 150 billion of meat products annually, driven by the growth of its middle class.

Mongolia is well-positioned to offer competitively priced meat products to China. According to MFALI, China has agreed to purchase raw beef, sheep and goat meat from Mongolia. In late 2015 Chinese officials conducted a site visit to 19 meat plants covering seven provinces of Mongolia, looking into which provinces and factories can provide meat of the required standard. In the meantime, the Mongolian Meat Association and Inner Mongolia Meat Association of China signed a Memorandum of Understanding for meat trade worth 6 billion Chinese Yuan (150,000 tons of meat). By 2018 China recognized 6 frozen beef and mutton enterprises and 15 heat processing mutton enterprises of Mongolia to export to China (MFALI 2018).

Russia: Another potential big market for Mongolian meat products is Russia. While Russia primarily imports meat from other nearby European countries, Mongolia has long been exporting meat to Russia. By 2018 Russia has recognized 29 enterprises of Mongolia for meat and meat product export (MFALI 2018).

Vietnam: Vietnam has also expressed interest in buying goat meat in large quantities from Mongolia. In May 2015, Vietnamese officials conducted reviews and examinations at several local meat companies. By 2017 four enterprises of Mongolia were recognized to export heat processing mutton, goat meat and beef (MFALI 2018).

Rest of the world: The Government of Mongolia is actively exploring potential options to export unprocessed meat to other international markets such as Japan. Several Arab countries have also expressed interest in importing sheep meat from Mongolia.

Bilaterally, the Government of Mongolia has negotiated certain disease-free regions that can export to specific countries. China, Russia and Vietnam have approved some Mongolian meat facilities for export. The facility-by-facility approach has led to increases in the amount of export-approved companies and the volume of exported meat.

Potential for exporting pasture-raised and free range-meat

In Mongolia, data on organic food is limited and the government or industry bodies does not collect specific data regarding production and trade in sustainably certified products. Traditional Mongolian pastoralism is based on nomadic extensive grass feeding on natural pastures. Mongolian livestock are raised with non-GMO feed, allowed to roam the vast steppe and are slaughtered by their herders. Mongolian meat exhibits several characteristics that are linked to its Mongolian geographical origin, the country's ecosystem and pastoral heritage. Therefore, Mongolia is well-positioned to provide lower cost–but pasture-raised and free range-meat.

Box 2. "Grass-fed". Industrial animal farms rely on corn and soy as a cheap source of protein-rich feed. However, ruminants like cows have stomachs that evolved to digest grasses and other forage. As a result, when these animals are fed a grain heavy diet, they often have digestive problems, poor liver health, and, in extreme cases, their diet can kill them. Sustainably raised animals eat grasses from weaning to slaughter. Their diet should not be supplemented with grain, animal byproducts, or synthetic hormones. They should not be given antibiotics to promote growth or prevent disease (though they may be given antibiotics to treat disease).

"Pasture-raised". In general, pasturing is a traditional farming technique where animals are raised outdoors in a humane, ecologically sustainable manner, and eat foods based on their natural diets.

Source: Sustainable table. *Serving up healthy food choices. Glossary of meat production methods*

http://www.gracelinks.org/media/pdf/glossary_of_meat_production_ho_20090422.pdf

Accessed 20 December 2018.

International organic standards and its applicability to Mongolia

Over the past few years, there has been a growing global demand for sustainably produced meat. The specific requirements of the Common Organizational Objectives and Requirements (COROS) correspond to the provisions of the Organic Food Law of Mongolia in complete substantial and partial conformity and no conformity. Partial to complete matches between the requirements of COROS and provisions of the Law of Mongolia on Organic Food have been observed in a number of areas.

However, there are some provisions in the Organic Law of Mongolia that do compatible with the COROS requirements. For instance, the Law of Mongolia on Organic Food stated that the organic production can complement non-organic production. In contrast, the COROS requirements state that organic management does not rely upon switching back and forth between organic and conventional management. There are also some missing COROS requirements in Mongolian law. Appendix 2 provides more detailed information about the variations between COROS requirements and Mongolian law. Main requirements in the COROS are in conformity with provisions of other relevant laws such as Law on Protection of Livestock Genetics and Health, Law on Environmental Impact Assessment and Customs Law.

4.8 Barriers and Challenges of Trade in Sustainably Certified Meat Products

Given its geographic proximity to large markets like China and Russia, Mongolia has the potential to become a major player in the global organic meat trade. The recent export approval for selected facilities are promising signs for the future of the industry.

During the 2-day training, the experts' workshop in May and the stakeholder roundtable meeting in September 2017 in Ulaanbaatar, government representatives, entrepreneurs and industry associations discussed pressing issues to unlock Mongolia's potential in export of sustainably certified meat products. The following challenges have been identified:

- Prolonged winters and extreme weather events have worsened the socio-economic conditions of traditional herders who typically only make an average margin of 10%, and have little or no social protection.
- Mongolia's sanitary and phytosanitary standards fall short of international standards. Foot and Mouth Disease (FMD) and other animal diseases hindered

Mongolia's trade opportunities. Both China and Russia have placed import bans on Mongolian meat products, following outbreaks of FMD. The World Organization for Animal Health has not given Mongolia FMD-free country status, thus preventing the export of meat products. The current vaccination programme costs US$ 4 million per annum on specific regions after FMD outbreaks. MICC estimates it would cost US$ 30 million annually for the next three years to vaccinate all the regions in Mongolia and acquire FMD free status.

- There is a need to clearly define the concept of "sustainable, eco, organic or bio products" used in agricultural industry. A clearer definition would help the Government better enforce regulations, ensure consistency across products, and support export strategy.
- Sustainably produced meat has a strong potential to become a global niche market in the specialty meat sector (pasture-raised, free-range livestock for health and environment conscious consumers in global markets). Fortunately, the resources for such products and part of the expertise already exist in Mongolia. There are also some meat products already sold in supermarkets. The constraints lie in the downstream logistics, branding and capacity to explore global market.
- For producers, assessing the environmental, social and economic sustainability of meat production is challenging and there is a lack of knowledge and technical skills.
- There is little understanding among producers about sustainably certified beef and export promotion of high value specialty green products. The progress has been made in terms of national branding and should be extended to cover all types of meat products and services.
- Sustainability standards and organic certification policies are not in place. The current law on organic food should be further improved and enforced through policies on sustainability standards, organic certification and ecolabel, in line with international standards. There is also a lack of competent certification agency.
- Mongolian meat export is limited to a few neighboring countries. There is a need to increase multilateral and bilateral trade agreements and improve trade facilitation.
- The majority of meat producers are small in size, and therefore lack capacity and financial resources. There are good livestock management practices in some areas, but far from sufficient.
- Few herders are aware of environmental sustainability of the livestock industry, including ecological footprint, use of water resources, and greenhouse gas

emissions. Educational and training programs are needed to share good practices and provide more information to herders, traders and meat producers.

- Transport and logistics cost is high, which increases trade cost. (for example, it costs US$ 2750 for a 20-foot container to be shipped internationally from Mongolia).

V. CASE STUDY ON MONGOLIAN CASHMERE INDUSTRY

5.1 Cashmere Industry Policy

Since 2011, the Government has approved and implemented a number of measures[19] to promote the cashmere industry. The Government's action programme for 2016-2020 called for an increase in credit to the number of cashmere related industries to 300 billion MNT (US$116 million).

As a result of these policies and measures, between 2011 and 2015, 42 enterprises obtained soft loans from the Government. Cashmere producers doubled processing to 2600 tons of raw cashmere. In addition, sales turnover increased by 35-40% in 2014. However, 75% of processed cashmere was only washed and combed, meaning such exports had little value-added. Therefore, the former Ministry of Industry set the following objectives for 2016-2018:

- Stop exports of washed cashmere and wool from 2016 and ensure that 50% of cashmere is exported as semi-processed combed cashmere and wool and the remaining 50 percent is used to domestically produce finished goods.
- Increase woven/knitwear products to 3.6 million units and textile fabrics to 440,000 meters.
- Stop combed cashmere export from 2017 and process cashmere 100 percent domestically and increase knitwear to 6 million units and textile fabrics to 1.2 million meters.
- Ensure that the sales turnover in cashmere industry reaches 1.9 trillion MNT and wool sales turnover 244 billion MNT.

[19] Resolution No30 (2011) on supporting national industry and increasing the number of jobs.

Resolutions No221 and No368 (2011) on financial procedures for government bonds provided to the cashmere industry.

Resolution No126 (2013) to support technology innovation in the cashmere industry.

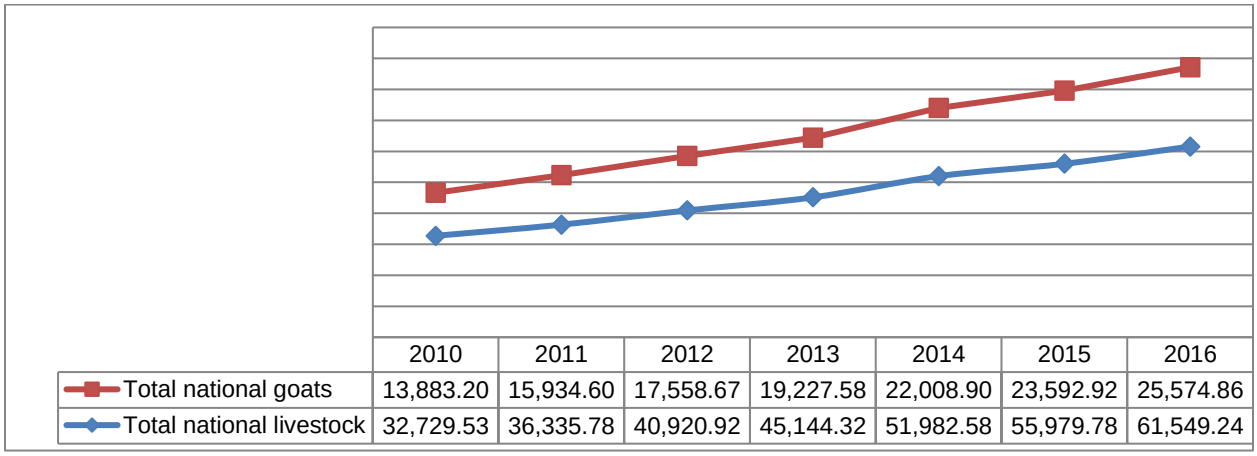
Resolutions No141 (2013), No87 (2014), and No149 (2015) to support cashmere production and exports.

Resolution No171 (2015) to finance operational investment in the cashmere industry.

5.2 Cashmere Production

As of 2016, goats made up 41.6% of the total livestock. Compared to 2010, the number of goats increased by 84%.

Figure 14. Number of goats in relation to total number of livestock, thousands head



	2010	2011	2012	2013	2014	2015	2016
Total national goats	13,883.20	15,934.60	17,558.67	19,227.58	22,008.90	23,592.92	25,574.86
Total national livestock	32,729.53	36,335.78	40,920.92	45,144.32	51,982.58	55,979.78	61,549.24

Source: Mongolia, National Statistics Office (2017). www.1212.mn.

Mongolia has several goat breeds including Mongol pure breed, Govi gurvan saikhan, Uulin bor, Altain ulaan, Unjuul uulder, Zalaa jinst white goa, Erchim and Bayandelger red goat breeds. Around 80% of Mongolian cashmere has average thread diameter of 14-16.5 microns and an average length of 38-43 mm.

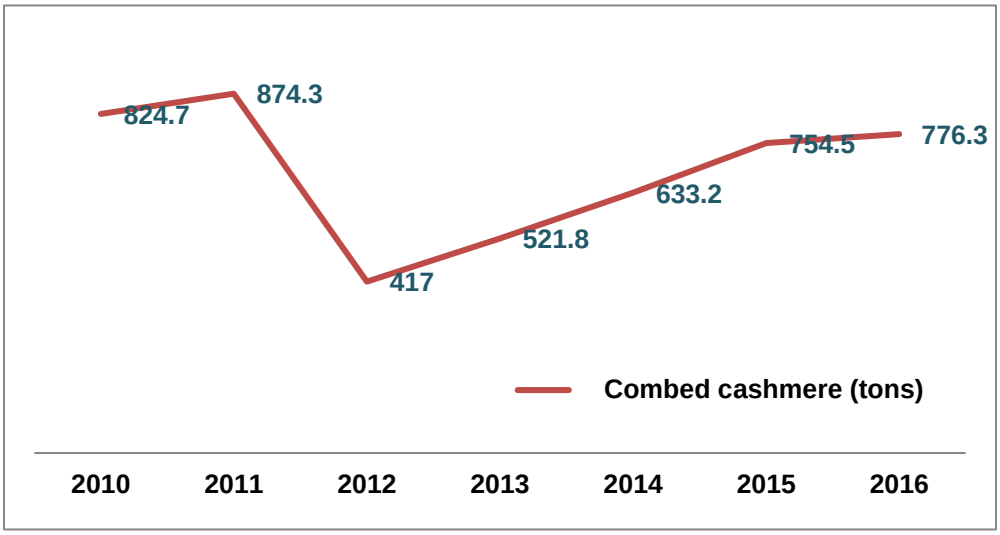
In 2014 there were 89 cashmere-processing enterprises with 9800 employees. These enterprises exported 539.8 million MNT of cashmere and cashmere products. Domestic sales turnover reached 118.580 billion MNT.

Table 14. Cashmere processing enterprises, 2014

Number of enterprises	Employees' number	Production (bn. MNT)	Sales turnover (bn MNT)	
			Export	Domestic
89	9800	728.316.6	593.809.0	118.580.5

Source: Mongolia, MFALI (2015).

Figure 15. Production of combed cashmere, 2010-2016, in tons



Source: Mongolia, National Statistics Office (2017). www.1212.mn

5.3 Overview of Mongolian Cashmere and Cashmere Products

Global cashmere market and trade in cashmere products

The Mongolian cashmere industry operates within the context of the world cashmere and garment industry. Over the past decades there has been rapid transformation of the world garment industry: costs and prices have been falling while the fashion cycle has accelerated. However, there has been vertical disintegration in the industry as bargaining power in the value chain has shifted to brands holders from producers and retailers. At the same time, brands holders have withdrawn from production operations and have relied more heavily on contract producers (Lecraw et al., 2005).

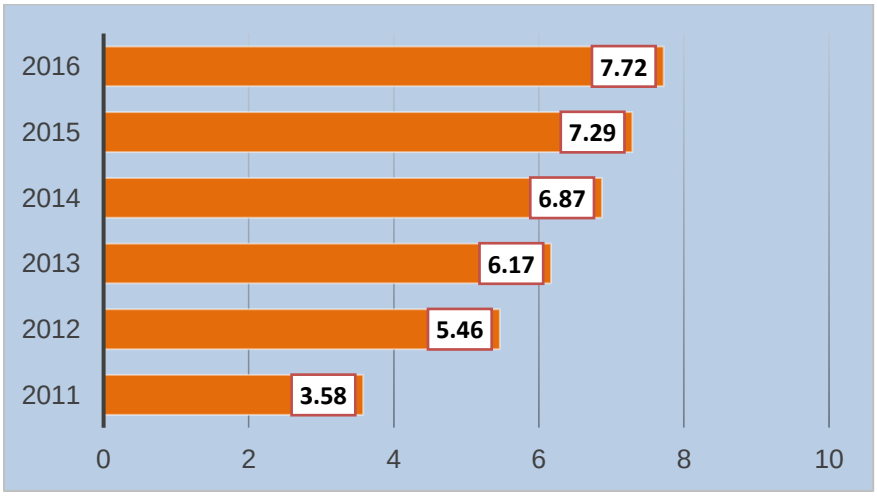
In terms of unprocessed cashmere, China leads global production with approximately 10,000 tons a year. The 2nd largest cashmere producer is Mongolia, with 5,000 tons of cashmere a year.

China dominates world production of knitted garments with a capacity to produce over 20 million cashmere sweaters per year. Italy continues to dominate the high end of the cashmere market from spinning to knitting and weaving.

Mongolia's export of cashmere and cashmere products

The cashmere industry is a competitive and traditional export sector of Mongolia. Exports of the industry have more than doubled since 2011, with exports rising from 3,580 tons to 7,720 tons in 2016.

Figure 16. Export volume of cashmere products, 2011-2016, in thousand tons



Source: Mongolia, Customs Authority of Mongolia (2017)

In recent years Mongolia's export of combed cashmere and cashmere garments has increased and it is forecasted that it would make an added value of US$250-300 million a year. This will contribute US$100 to the GDP per capita and bring additional 25,000-30,000 jobs.

Table 15. Mongolia's export of cashmere, by countries, 2016

Types of cashmere	Kg	Thousands USD	Percentage
Washed cashmere total (kg)	5,413,452.20	192,534.60	
China	5,413,202.20	192,501.50	99.98%
United Kingdom	250	33.1	0.02%

Cashmere hair containing 12% or less of cashmere	121,700.80	69.1	
China	119,100.00	34	49.20%
Italy	2,600.80	35.1	50.80%
Cashmere hair containing more than 12% of cashmere	2,595.10	17	
China	112	0.7	4.12%
Italy	2,483.10	16.3	95.88%
Combed cashmere	508,973.15	33,189.10	
Republic of Korea	9,463.27	678.4	2.04%
Italy	386,160.71	24,770.90	74.64%
United Kingdom	54,895.87	4,117.00	12.40%
Nepal	150	12	0.04%
Hong Kong, China	39,600.00	2,217.60	6.68%
France	55	6.5	0.02%
India	10,765.00	773.3	2.33%
Japan	7,883.30	613.3	1.85%

Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

According to the Customs Authority of Mongolia, the Mongolian cashmere export structure consists of combed, washed, cashmere hair containing 12% or less of cashmere, cashmere hair containing more than 12% of cashmere; cashmere coat, overcoat and jacket, women's or girls' cashmere overcoats, jackets and blazers of cashmere, dresses, skirts, trousers, jerseys and cardigans and blankets. Semi-processed

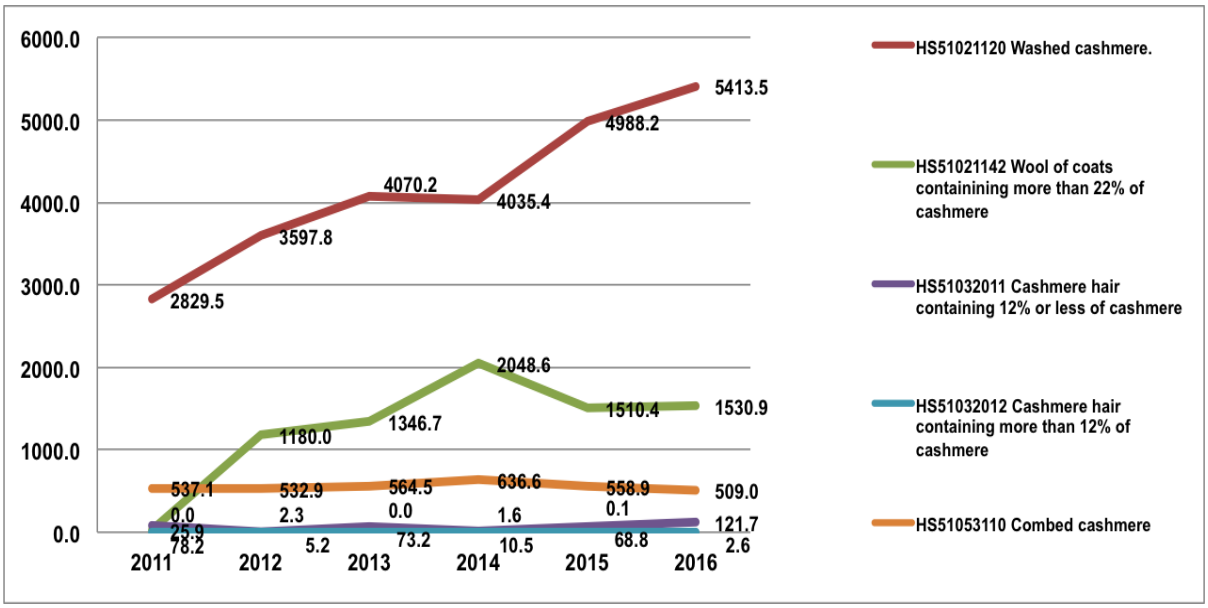
cashmere took up 98.2% of total export in 2016, out of which 70.1% were washed cashmere.

Table 16. Export volume of cashmere products from Mongolia in 2016, by products

HS codes	*Description*	*2016 (kg)*
Semi-processed cashmere products		
HS51021120	Washed cashmere.	5,413,452.20
HS51021142	Wool of coats containing more than 22% of cashmere	1,530,872.20
HS51032011	Cashmere hair containing 12% or less of cashmere	121,700.80
HS51032012	Cashmere hair containing more than 12% of cashmere	2,595.10
HS51053110	Combed cashmere	508,973.15
Ready-made cashmere garment products		
HS61019020	Cashmere coat, overcoat and jacket.	428
HS61021020	Women's or girls' cashmere overcoats (other than specified in 6104)	25028
HS61043120	Jackets and blazers of cashmere	2352
HS61044120	Dresses, of goat cashmere.	8833
HS61045120	Skirts, of goat cashmere.	1491
HS61046120	Trousers, of goat cashmere.	6738
HS61101200	Jerseys and cardigans, of goat cashmere.	93,868.00
Other cashmere products		
HS63012010	Blankets, made of goat cashmere.	1,055.00

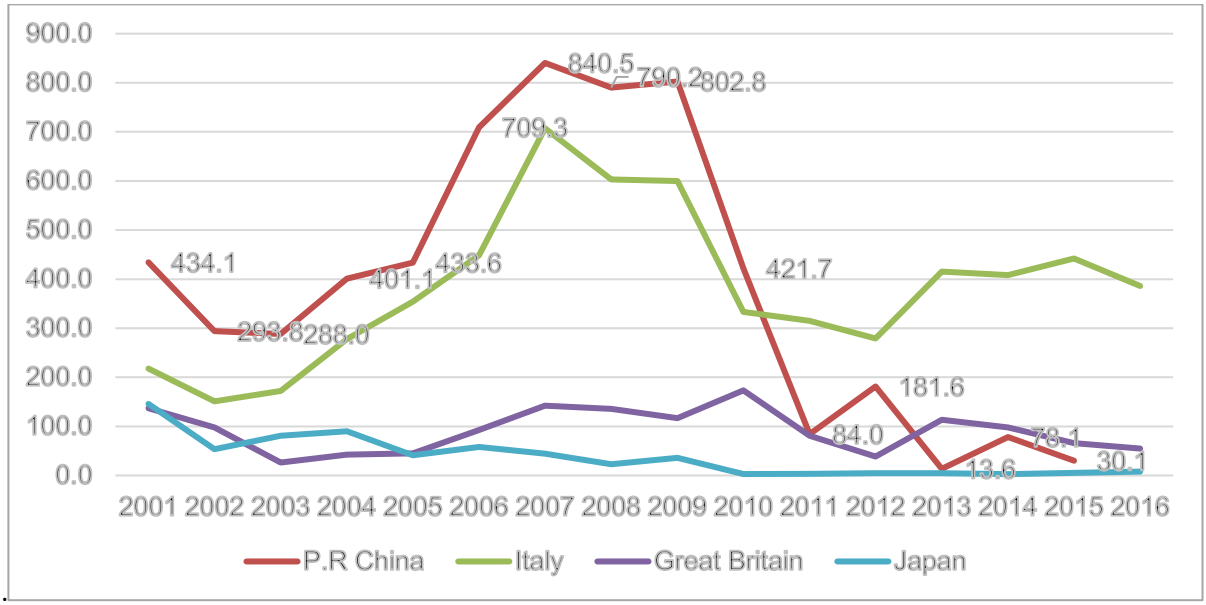
Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

Figure 17. Export volume of semi-processed products 2011-2016, thousand tons



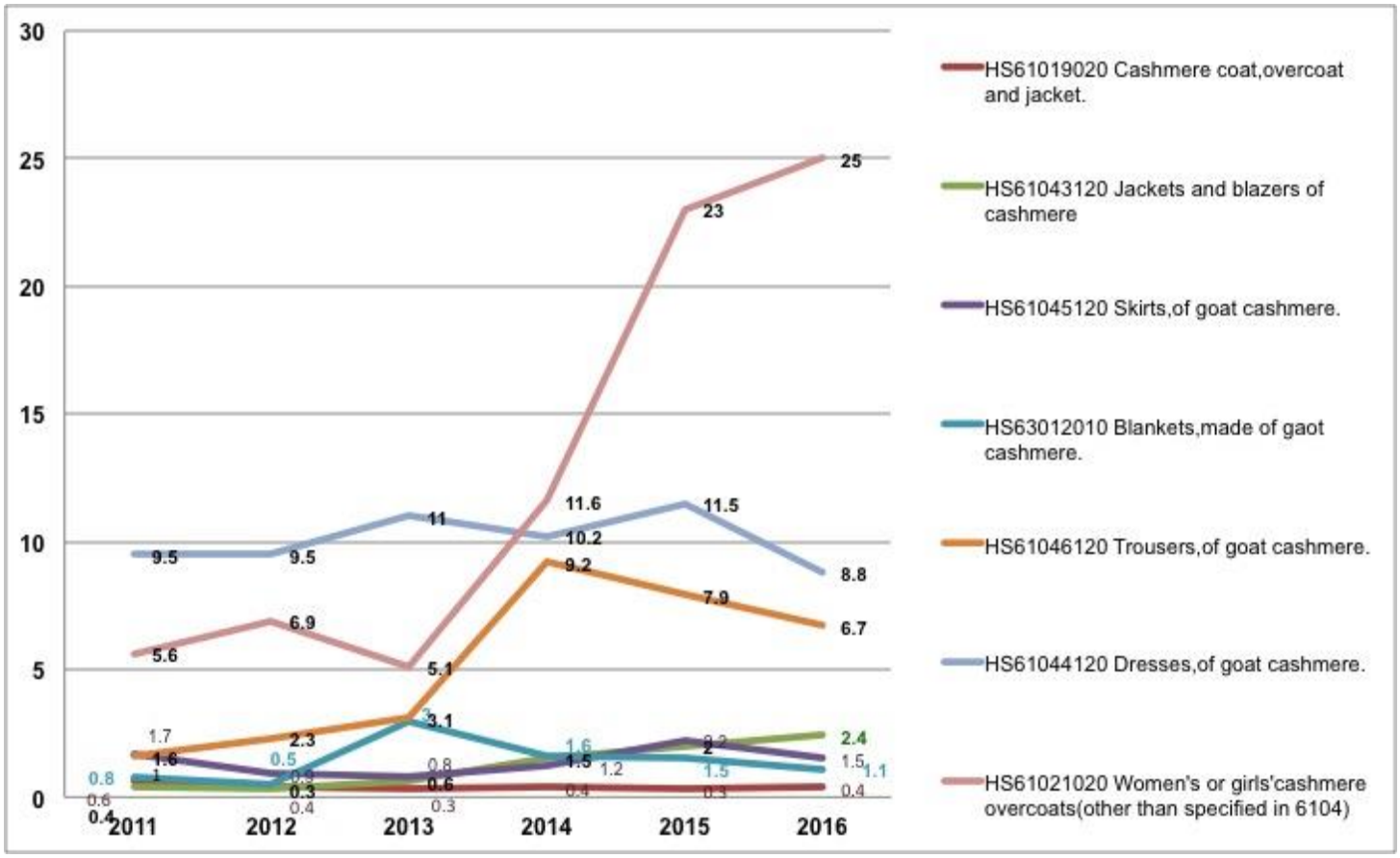
Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

Figure 18. Export of combed cashmere to selected countries, 2001-2016



Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

Figure 19. Export volume structure of cashmere products, articles of apparel and clothing accessories, knitted or crocheted (HS61) 2011 – 2016 in thousand. tons



Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

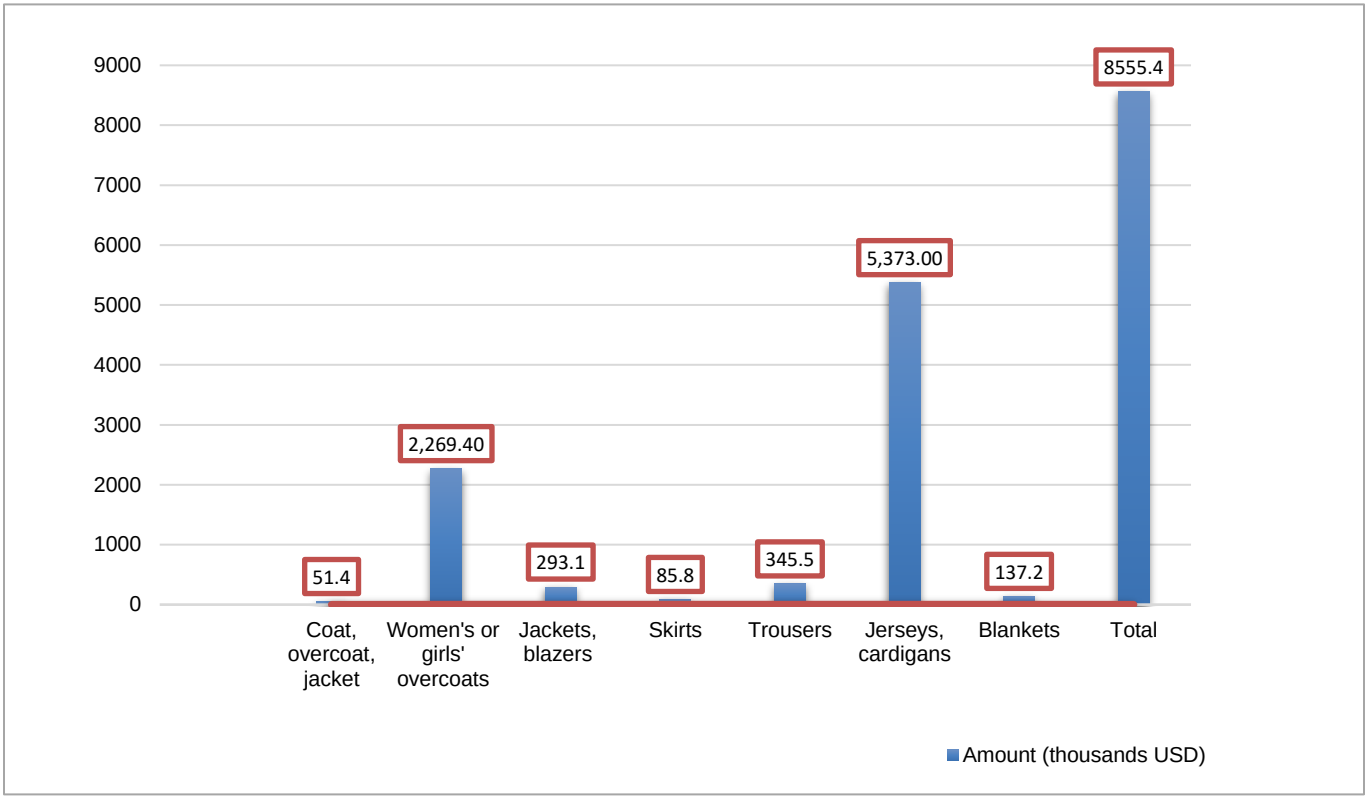
Table 17 shows the export of Mongolia's cashmere garments. The Mongolian cashmere garments range from cashmere coats, overcoat and jacket to blankets. Cashmere garments export amounted to US$ 8.5 million in 2016. Jerseys and cardigans made up 62.8 percent of the total sales and the women's and girls' cashmere overcoats other than specified made 26.5 percent of the total sales.

Table 17. Ready-made cashmere garments exported

Commodity description	2016		
	Quantity (unit)	Amount (thousands USD)	%
Cashmere coat, overcoat and jacket.	428	51.4	0.60%
Women's or girls' cashmere overcoats (other than specified in 6104)	25,028.00	2,269.40	26.53%
Jackets and blazers of cashmere	2,352.00	293.1	3.43%
Skirts, of goat cashmere.	1,491.00	85.8	1.00%
Trousers, of goat cashmere.	6,738.00	345.5	4.04%
Jerseys and cardigans, of goat cashmere.	93,868.00	5,373.00	62.80%
Blankets made of goat cashmere.	1,055.00	137.2	1.60%
Total	130960	8555.4	100.00%

Source: Customs Authority of Mongolia (2017). www.customs.gov.mn

Figure 20. Cashmere garment export, 2016



Source: Mongolia, Customs Authority of Mongolia (2017). www.customs.gov.mn

5.4 Export Opportunities for Sustainable Cashmere

Tariff and non-tariff barriers

Table 24 and 25 show tariff barriers of importing countries. As seen, China imposes the highest tariff on all types of cashmere including hair of cashmere goats neither carded nor combed, cashmere hair containing more than 12% of cashmere, combed cashmere and garments.

Table 18. Average applied tariff for top importers (HS5102, HS5103; HS5105), in %

Exported cashmere products: (raw, semi-processed products) from Mongolia		Importing tariff matrix: Average tariff (estimated) applied by the country (%)			
		0%-2.5%	2.6%-5.0%	5.1%-7.5%	>7.6%
HS510211	Hair of Kashmir "cashmere " goats, neither carded nor combed	The EU; Canada; United States of America; South Korea; Japan; Switzerland; Australia New Zealand; Hong Kong, China; Philippines; Turkey; Tunisia; South Africa; Mauritas; Kenia; Lesoto;	Ukraine; India; Indonesia;	-	China
HS510320	Cashmere hair containing more than 12% of cashmere	The EU; Canada; United States of America; South Korea; Japan; South Africa; Mexico; Malaysia Bosnia and Herzegovina; Ukraine	Chinese Taipei; Nepal; Democratic Republic of Congo,	Brazil; Uruguay	China; India

HS510531	Combed cashmere	EU, Switzerland; Norway; Hong Kong, China; South Korea; Japan; Canada; Iceland; Bosnia and Herzegovina; Mauritius; Thailand; Mexico; Chinese Taipei; Turkey	Pakistan; Chile; Madagascar Saudi Arabia Indonesia	United States of America; Peru	China; India

Source: ITC, www.macmap.org.

Table 19. Import tariff matrix of cashmere processed products made in Mongolia, 2016, in percentage

Exported cashmere products: (raw, semi-processed products) from Mongolia		**Importing tariff matrix: Average tariff (estimated) applied by the country (%)**			
		0%-5.0%	**5.1%-10.0%**	**10.1%-15.0%**	**>15%**
HS610190	Cashmere coat, overcoat and jacket	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Singapore; Qatar; Saudi Arabia	South Korea; Japan; New Zealand; United States of America	Canada; Cambodia; Panama	China; Myanmar; Algeria;
HS610210	Women's or girls' cashmere overcoats (other than specified in 6104)	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Macao, China; Australia; Qatar	South Korea; Japan; New Zealand; Turkey; Russia	Canada; United States of America; Chinese Taipei	China; Mexico
HS610431	Jackets and blazers of cashmere	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Singapore; Australia; Saudi Arabia; Russia	South Korea; Japan	Canada; United States of America; Chinese Taipei	China; Nepal; Kenya; Egypt; South Africa
HS610441	Dresses, of goat cashmere	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Singapore; Macao, China; Australia; Russia; Qatar; Kuwait	South Korea; Japan; New Zealand; Turkey	Canada; United States of America; Chinese Taipei	China; Mexico

HS610451	Skirts, of goat cashmere	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Macao, China; Australia; Russia; Qatar; Kuwait;	South Korea; Japan; Turkey	Canada; United States of America; Chinese Taipei	China; Mexico; Ukraine
HS610461	Trousers, of goat cashmere	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Singapore; Australia; Qatar; Saudi Arabia	South Korea; Japan; Turkey; New Zealand; Russia	Canada; United States of America; Chinese Taipei	China; Mexico; Dominican Republic; South Africa
HS611012	Jerseys and cardigans of goat cashmere	The EU; Switzerland; Norway; Hong Kong, China Singapore; Australia; United Arab Emirates	South Korea; Japan; Turkey; Russia; Ukraine; United States of America	Canada; Chinese Taipei;	China; Macao, China;
HS630120	Blankets made of goat cashmere	The EU; Switzerland; Norway; Hong Kong, China; United Arab Emirates; Qatar; Saudi Arabia; Oman; United States of America; New Zealand	Iceland; South Korea; Yemen	Canada; Russia	China; Philippines; Morocco; Mauritania

Source: ITC, www.macmap.org

International sustainability standards for cashmere products

EU regulations. The EU has aligned laws in all member countries with Textile Regulation (EU) No 1007/2011 on fiber names, labelling and marking of the fiber composition of textile products. This was done to protect consumers and eliminate potential obstacles to the proper functioning of the internal market. Some of the components of EU regulations are buyer requirements including “musts” requirements, common requirements, and niche market requirements.

Fair Trade (textiles) Standard. Fair Trade is the best known with a relatively large market presence (including several sectors) and available for textiles products. The Fairtrade Textile Standard is one component of the greater Fairtrade Textile Programme to facilitate change in textile supply chains and related business practices. This comprehensive approach engages manufacturers and workers in the supply chain to bring about better wages and working conditions, and make brands commit to fair terms of trade. The main components of fair and sustainable trading relations in the standard include:

- Criteria for all stages of production for the entire supply chain: All supply chain actors including brands need to establish fair, reliable and predictable contract arrangements to facilitate long term investments in the improvement of workers' conditions. Once their entire supply chain has been certified, products may carry the Fairtrade Textile Production Mark (PDF). Product packaging will also indicate the brand's progress towards achieving living wages in the product supply chain.
- It is applicable to the countries where Freedom of Association is possible as determined by the geographic scope policy. Excluded countries are listed in the policy.
- The standard is open to other responsible fibers, in addition to Fairtrade cotton, in order to leverage supply chains and reach a broader range of factories and workers as determined by the Fairtrade Responsible Fiber Criteria. Responsible fibers are more environmentally friendly and/or socioeconomically beneficial than other comparable, common fibers with same material composition. Fairtrade evaluates fibers and schemes using an Assessment Tool which details each of the three criteria on Management, Environmental and Socioeconomic considerations into checkpoints.

The Global Organic Textile Standard (GOTS, Version 5.0). This standard covers the processing, manufacturing, packaging, labelling, trading and distribution of all textiles made from at least 70% certified organic natural fibers. Final products may include, but are not limited to fiber products, yarns, fabrics, garments, fashion textile accessories (carried or worn), textile toys, home textiles, mattresses and bedding products as well as textile personal care products. Requirements for organic fiber production to be natural fibers that are certified 'organic' or 'organic - in conversion' according to any standard approved in the IFOAM Family of Standards for the relevant scope of production (crop or animal production), such as Regulation (EC) 834/2007, USDA National Organic Program (NOP), APEDA's National Programme for Organic Production (NPOP), and China Organic Standard GB/T19630. The GOT standard includes:

- Criteria: requirements for organic fiber production, material composition, chemical inputs in all processing stages, specific requirements and test parameters;
- Social criteria that covers employment, freedom of association, child labor, anti-discrimination, working conditions, fair remuneration, working hours etc.;
- Quality assurance system that includes specific requirements for textile care products.

Mongolian national standards applicable to sustainability of cashmere products

There are 130 standards applicable to the wool and cashmere industry, several of which are used for controlling cashmere quality in Mongolia (see Appendix 1).

Mongolia joined the Pacific Cooperation Organizations (PCO) Agreement which mutually recognizes the results of accredited certification bodies of Mongolia in June 2017. As a result, when Mongolian products and services, certified by national laboratories in Mongolia, are exported to the PCO member countries, they do not need to go through repeated testing and inspection.

In addition, the National Agency for Standardization certification body has been established to certify national manufacturers (e.g. meat, meat products, copper, molybdenum concentrates, wool, and cashmere).

5.5. Barriers and Challenges of Trade in Sustainable Cashmere

Mongolian cashmere industry is enhancing its position in the global fiber market and has a promising future. Mongolia is well placed to meet demand for premium-grade cashmere and enhance its reputation for quality cashmere products. Mongolian cashmere producers have been investing in the expansion of value-added processing capacity, and production technology to process and spin yarn domestically and produce finished goods. Efforts have also been made to raise the international profile of Mongolian cashmere products. However, there are challenges to harness trade opportunities:

- The quality of raw cashmere has declined, due to poor animal health, age and sex composition of goats, breeding selection and herd composition changes.
- Majority of cashmere firms manufacture semi-processed cashmere, ranging from combing to washing and knitting. Added value of cashmere products need to be increased.
- Similar to the meat industry, the value chain of cashmere products is characterized by enormous use of natural resources and energy, and without sound management of waste.
- Mongolia lacks relevant sustainability standards and organic certification policy. Current quality standards applicable to cashmere production technology and products should be further developed and harmonized with international standards.

VI. CONCLUSION

6.1. Key Findings

Trade plays an important role in Mongolia's transition to a green economy. Mongolia, in its pursuit of economic diversification and green growth, has been making efforts to ensure social inclusiveness and environmental sustainability through implementation of 2030 Agenda for Sustainable Development, the Sustainable Development Vision and National Green Development Policy. The country has given high importance to sustainable agricultural production and initiated a number of programmes such as "21x100 Industrialization", "Mongol Branding" and "Mongolia Export". These initiatives see trade as an important means for decent employment, household income generation, improvement of livelihood, and food and environmental security.

There is huge potential for green trade. With its abundant pastureland, the number of livestock and rich traditions of nomadic animal husbandry, Mongolia is well placed to produce sustainably certified agricultural products including meat and cashmere products. The ongoing and upcoming trade agreements with key trading partners bring new opportunities for export of sustainably certified agricultural products.The international projects and programmes, such as EU TRAM, WB Export Development and PAGE are supporting the country through providing technical assistance and capacity building for the policy making, strengthening trade facilitation, and supporting export development.

Challenges remain for harnessing green trade.

- Livestock sector is affected by extreme climate conditions. Producers across the value chain have an urgent need to improve climate resilience. At the same time, livestock industry also has negative environmental impacts. Unsustainable and inefficient use of natural resources is present across the whole supply chain from animal breeding to transportation and trade.
- A sustainable socio-economic model is needed for traditional herders.
- Mongolian producers lack information and knowledge about green global value chains and the capacity to explore foreign markets of sustainably certified agricultural products.
- The geographical location of Mongolia as a landlocked country poses constraints to development of trade and integration into regional and global value chains.

Mongolia should seek for opportunities of direct links with global aviation hubs such as Singapore, Dubai, Abu Dhabi, Shanghai and Paris.

- There is a need for a holistic green trade/export strategy at national level, linking different ministries, departments and business associations that work on trade, environment, technology, agriculture, climate resilience, and transport.

6.2. Policy Recommendations for Meat Industry

- Strengthen national pastoral livestock regulations/standards that specify livestock raw material processing practices and outline the national procedures for livestock inspection, certification, and labelling.
- Develop organic meat production guidelines that cover animal production requirements, processing and handling requirements, social inclusion requirements, and labelling requirements and may extend to nomadic herding techniques and permitted inputs.
- Establish Green Agricultural Production Parks in regions with high potential such as Khangai region. Such parks could improve organic meat value chain management, sustainable processing, veterinary service and animal health care management traceability and recording. It will also nurture knowledge exchange, technology diffusion and joint marketing efforts.
- Access to regional and global value chain could be facilitated through increased cooperation with international donors or business support agencies and the establishment of a National Export Council.
- There is an opportunity to strengthen trade with countries through Free Trade Agreements and other forms of bilateral agreements to secure access to critical technologies, markets and assistance for transfer of know-how.
- Enhance branding such as pasture-raised and free-range meat will enhance the recognition and positioning of Mongolian meat products in the global market.
- Contribute to capacity building of herders' cooperatives: Herders' cooperatives contribute significantly to the success of sustainable agriculture, as they engage in community building, knowledge exchange and capacity building. These cooperatives are expanding as a key actor of integrated meat value chains.
- The connectivity of Mongolia could be significantly improved by introducing direct links to global aviation and economic hubs such as Dubai, Delhi, Singapore, Paris, and Shanghai.

- Establish independent certification body for sustainably produced meat products.

6.3 Policy Recommendations for Cashmere Industry

- Establish a Trade Promotion Center to support producers in exploring foreign markets.
- Encourage and support national cashmere companies to improve marketing and branding efforts.
- Besides opening cashmere chain shops or boutiques in key markets including Europe, Russia, Japan, China and South Korea, clothing franchise opportunities should be considered.
- Establish certification organizations. The Government of Mongolia should create a favorable legal and regulatory environment for establishment of national public/ private certification organizations and attract foreign certification organizations to work in Mongolia. Capacities of such organizations should be enhanced through international projects implemented jointly with professional organizations.
- Improve awareness and understanding of sustainable trade, including policy frameworks, global trends, and market opportunities.
- Create financial mechanism and incentives. By creating a co-investment financing facility, the combining of private equity funds and public financing or private equity fund and international grants/soft loans should be considered to support companies in marketing, new technology application, and product development.

APPENDICES

Appendix 1

- MNS 0033: 2007. Wool and cashmere. Preparation of raw materials. Sheep wool. Technical requirements
- MNS 0036: 2007. Wool and cashmere. Preparation of raw materials. Camel wool. Technical requirements
- MNS 0038: 2007. Wool and cashmere. Preparation of raw materials. Cashmere goat. Technical requirements
- MNS 215: 2007. Wool and cashmere. Packing, labeling, storage and transportation. Technical requirements
- MNS 1027: 2007. Cash and Cashmere. Method for Determination of Hg and Low Mixture Technical Requirements
- MNS 780: 2007. Wool and cashmere. Wool made of sheep. Technical requirements
- MNS 3683: 2007. Cash and Cashmere. Cashmere Technical requirements
- MNS 4950: 2007. Wool and cashmere. Wool made of camel. Technical requirements

Appendix 2

IFOAM Common Objectives and Organic Standards and Its Applicability to Mongolia

	Main objectives and detailed requirements in the COROS	Comparison with the Organic Food Law of Mongolia
1	**Organic Management is long-term, ecological and systems-based.**	
1.1	All Farming Management Systems	No match***: Section 7.2.2 of the Law
1.3	Livestock systems	Complete / substantial match*: Section 3.1 and 4.2.1. of the Law
2	**Soil fertility is long-term and biologically-based**	Not applicable to meat industry
3	**Synthetic inputs at all stages of the organic product chain and exposure of people and the environment to persistent, potentially harmful chemicals are avoided/minimized.**	
3.2	Animal Production	Complete match*: 2 requirements are matched fully in the sections 8.2.5 & 7.1.2 of the Law; No match: 2 requirements are missing
3.3	Processing	Complete match*: Section 7.1.2. of the Law on Organic Food
3.4	Contamination: all systems	Complete match*: Sections 5.1.2; 5.14 and 7.1.3 of Law of Organic Food
4	**Pollution and degradation of the production/processing unit and surrounding environment from production/processing activities are minimized.**	
4.1	Farm Production and Beekeeping	Complete match*: Sections 5.1.1; 5.1.2; 7.1.3; and 8.2.5 of the Law on Organic Food Partial match**: Section 5.1.2 of Law
5	**Certain unproven, unnatural and harmful technologies are excluded from the system.**	
5.1	Genetically Modified Organisms	Complete match*: Section 8.2.5 of the Law

5.3	Breeding Techniques	Complete match*: Sections 8.2.4. and 8.2.5 of the Law
6	**Animals are treated responsibly.**	
6.1	Living conditions	Complete match*: Section 5.1.4. of the Law
6.2	Physical alterations	Complete match*: Section 8.2.5 of the Law
6.3	Breeding	Complete match*: Sections 5.1.1; 5.1.2 and 7.1.2
6.4	Transport and Slaughter	No match: Missing one section
7	**The natural health of animals is promoted and maintained.**	
7.1	Nutrition	Complete match*: Sections 8.4; 7.2.1; 7.1.2; and 7.2.3. of the Law
7.2	Health Care	Complete match*: Sections 7.1.2; 8.2.1; and 8.2.5
8	**Organic integrity is maintained throughout the supply chain.**	
8.2	Animal Production	Complete match*: section: 7.2.3. and 8.1.1 Partial match**: Sections 7.1.2 and 5.1.2
8.3	Processing and Handling	Complete match*: Sections 8.3, 7.2.3; and 7.2.1 Partial match**: Sections 7.2.3 No match***: 3 requirements are missing
9	**Organic identity is provided in the supply chain.**	
	Related to labeling such as organic with at least 95% of organic ingredients, at least 70% or with less than 70%	Complete match*: Section 11.1; 5.2 and 11.7 Partial match**: Section 5.2 and 11.5.1
10	**Fairness, respect and justice, equal opportunities and non-discrimination is afforded to employees and workers**	
	Conformity with ILO Declaration on Fundamental principles and rights at work, freedom of association, equal opportunities, human rights, forced or involuntary work and wellbeing of children	Complete match*: Section 5.1.3 No match***: a requirement is not applicable

	***Complete/substantial match:** Match between the Section 3.1 of the Organic Food Law of Mongolia states that “organic food, feeds of animal, organic fertilizer and crop shall be made of agricultural organic food and raw products, and natural herbs” and COROS requirement stating “Livestock systems: Organic operations producing livestock integrate crop and animal production at the farm or regional scale” ****Partial match:** Partial match between the Section 5.1.2. of the Organic Food Law of Mongolia that states: Organic production shall not have a negative impact on ecosystems and maintain ecological sustainability” and COROS requirement “Farm Production and Beekeeping: Organic guarantee system restricts use of synthetic coverings and mulches”. *****No match:** No conformity or missing or contrary to COROS requirements.

Source: Authors

REFERENCES

Asia Pacific Logistic Federation [APLF] (2013). *Cashmere Fiber Production: The process from the goat to top quality yarns.* http://www.aplf.com/en-US/leather-fashion-news-and-blog/news/16491/cashmere-fiber-production-the-process-from-the-goat-to-top-quality-yarns Accessed 25 December 2018

International Institute for Sustainable Development, United Nations Environment Programme. (2014). *Trade and Green Economy: A Handbook. Third edition.* International Institute for Sustainable Development, Geneva. https://www.iisd.org/sites/default/files/publications/trade-green-economy-handbook-third-edition-en.pdf. Accessed 25 December 2018

International Trade Center, World Tourism Organisation (2015). *Tourism and Trade: A Global Agenda for Sustainable Development.* http://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/Tourism_and_Trade__low%20res_2014-2015-335.pdf. Accessed 25 December 2018

International Trade Center, World Trade Organisation (2013). *Trade Facilitation Agreement – A Business Guide for Developing Countries* http://unohrlls.org/custom-content/uploads/2013/09/WTO-Trade-Facilitation-Agreement-A-Business-Guide-for-Developing-Countries.pdf. Accessed 25 December 2018

Mongolia, the Ministry of Environment and Tourism (2014) Green Development Policy of Mongolia

National Statistics Office of Mongolia (2017) *Foreign Trade of Mongolia 2016.* Ulaanbaatar.

Partnership for Action on Green Economy, UN Institute for Training and Research (2016). *Green Economy & Trade- E-learning course*

United Nations, General Assembly (2015) *Transforming Our World: The 2030 Agenda for Sustainable Development. Resolution adopted by the General Assembly. 25 September.* (A/70/L.1). https://sustainabledevelopment.un.org/post2015/transformingourworld. Accessed 25 December 2018

United Nations Conference on Trade and Development [UNCTAD] (2011). *The Green Economy: Trade and Sustainable Development Implications* http://unctad.org/en/docs/ditcted2011d5_en.pdf

UNCTAD (2012). *Non-Tariff Measures to Trade: Economic and Policy Issues for Developing Countries.* http://unctad.org/en/PublicationsLibrary/ditctab20121_en.pdf. Accessed 25 December 2018

UNCTAD (2015). *International Classification of Non-Tariff Measures 2012 Version.* United Nations, New York and Geneva.

https://unctad.org/en/PublicationsLibrary/ditctab20122_en.pdf?user=46. Accessed 25 December 2018

United Nations Environment Programme [UNEP] (2011). *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*. http://archive.ipu.org/splz-e/rio+20/rpt-unep.pdf

UNEP (2013). *Green Economy and Trade – Trends, Challenges and Opportunities.* http://web.unep.org/sites/unep.org.greeneconomy/files/publications/Trade-GE-Handbook-FINAL-FULL-WEB.pdf. Accessed 25 December 2018

UNEP (2013). *Synthesis Report: Green Economy and Trade Opportunities Project.* http://web.unep.org/greeneconomy/sites/unep.org.greeneconomy/files/publications/getopsynthesisreport_web_0.pdf

UNEP (2015). *Sustainable Trade and Investment: Achieving the Sustainable Development Goals* http://web.unep.org/sites/unep.org.greeneconomy/files/publications/TradeSDGs_brochure.pdf. Accessed 25 December 2018

UNEP (2015) *A Guide for the Assessment of the Costs and Benefits of Sustainability Certification.* http://wedocs.unep.org/bitstream/handle/20.500.11822/14874/1_2.pdf?sequence=1&isAllowed=y. Assessed 22 December 2017.

Donald J. Lecraw, Philip Eddleston, and Alene Mc Mahon (2005). *A Value Chain Analysis of Mongolian Cashmere Industry.* United States Agency for International Development [USAID], Mongolia Economic Policy Reform and Competitiveness Project (EPRC). Ulaanbaatar, Mongolia. *https://pdf.usaid.gov/pdf_docs/PNADD513.pdf.* Assessed 20 December 2018.

World Trade Organisation (2015). *Committee on Sanitary and Phytosanitary Measures, Specific Trade Concerns.* G/SPS/GEN/204/Rev.15. file:///C:/Users/User/Downloads/GEN204R17.pdf. Assessed 22 December 2017.

World Trade Organisation (2018). *Mainstreaming Trade to Attain the Sustainable Development Goals*.

World Trade Organisation (2014). *Trade Policy Review Report by the Secretariat: Mongolia*