

AID-FOR-TRADE CASE STORY

MONGOLIA

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EXECUTIVE SUMMARY

This story covers a case in a developing country, which by definition, is related to “landlocked, resource rich, small and vulnerable economy” by all means. Therefore for this type of economy, trade facilitation is indeed, very important and should be priority in trade policy actions of the given country. However, this is not always a case, even more, in practical cases there is a strange correlation between a country’s type (as mentioned in definition) and its trade facilitation efforts; many landlocked, resource rich, small and vulnerable economies make a less efforts in facilitating their trade therefore their ranking in say, World Bank ‘Doing Business’ index, in particular in its sub index “Trading across borders” etc are not good.

Why it happens? There are, probably, many reasons behind it, however, one important issue, which usually, omitted from the economic and trade policy analysis, is whether private sector engaged or not, what is (was) the role of the private sector and how effective is public and private sector dialogue and partnership mechanism of given country in trade facilitation and the other trade policy related areas. Therefore this case story tells how in Mongolia trade facilitation as a policy term has been introduced to the attention of policymakers and private sector by the private sector (not on the contrary, as it usually happens) organization like Chamber of Commerce and Industry, how trade facilitation as a policy tool and action is brought to the decision making level by the MNCCI and what were success and failure and how it is achieved and overcome.

Therefore the concluding remark is: If, you, as the private sector representative institution, as the one, who

feels that trade facilitation is of core interest of trading community, for which you are working, if trade facilitation does not occur in your country, don't wait the Government, the Ministry, Parliament etc until they start, just initiate it, bring it to the stakeholders attention (even stakeholder development as a process in early stage in your country), lead the process. Just do it, as Nike adds says!

ISSUES ADDRESSED AND OBJECTIVES PURSUED

In Mongolia exporters and importers were complaining so many years; how bureaucratic are the customs procedures, inspections and border troop controls, standard agency's compulsory requirements such as conformity assessment certificate, the quality certificate etc. This is typical case of a country, which is member of WTO! In WTO governments discuss a lot about how to make more free trade global regime, at the same time create de-facto, more regulated, bureaucratic trade regimes. Therefore private sectors in many developing and emerging economies don't understand what are going on behind the walls of WTO. Mongolian National Chamber of Commerce & Industry has decided to break up this and started to focus more on WTO issues and started to inform the business community about the different issues related trade and development by contacting and cooperating independently (without government "intermediation") with International Trade Center, UNECE in Geneva, UNESCAP in Bangkok, UNCTAD, UNIDO etc. majority of which are traditionally and still government to government agencies. And it happened, as it is revealed, that they produce many useful papers for the business community, private sector development etc, which, unfortunately, due to lack of effective interaction mechanism (which how is called public-private partnership in narrow and broad context) could not reach to the target groups in developing and emerging countries.

One of such useful documents was UNECE produced "Single electronic window" officially named Recommendation No33. We had obtained this document and has translated it into Mongolian and things went on ... Our objective was simple: *As the international organization recommends it to us, why we, as the private sector representative agency, don't push and implement it?*

PROBLEMS ENCOUNTERED AND FACTORS FOR SUCCESS AND FAILURE

The translation was done and based on this we have made several adjustments based on export and import surveys, made by us and have drafted the first draft of Government resolution on trade facilitation and SEW establishment in Mongolia. This was in 2006. But drafting some document and making it as an official, Government approved document is relatively easy process (even though you are not government) than trying to implement it. Even through, somehow, after long lasted different ways of efforts and activities, the working group, consisting from public and private sectors, is formed and finalized the draft we have initiated and prepared as the official document. It took one year and there was no full and genuine commitment from several government agencies; they did not want to breakup their current status quo.

Finally we have got the official Government approved document on SEW in late of 2007.

The success factors are insistency, initiative, commitment, practice, awareness raising campaign from the private sector side, an individual approach to every and each government ministries and agencies from MNCCI by using the approach what we call it "sugar and salt" approach, meaning that strong critics on red tape, excessive regulations y publishing the index, we have designed "Red tape perception index" about government agencies policies and activities on overall business environment, including the trading regime. This is "the salt". "Sugar" means that MNCCI awards and encourages those government agencies and their leaders by their performances in the field of good governance, trade facilitation, business environment etc. One of the such awards is "Good governance Award" initiated by MNCCI.

RESULTS ACHIEVED AND LESSONS LEARNED

Although we have succeeded to adopt very important document on single electronic window as a solution for trade facilitation, however it is really difficult to implement it de-facto; a) lack of full commitment combined with lack of financing; b) non-coordination among the government agencies, no clarification on

“champions of changes”, leadership role uncertainty; c) lack of understanding and attention from international organizations operating in the country, about the importance and prioritiveness of the trade facilitation, combined with the lack of “country ownership” initiative etc.

Then MNCCI has decided to try the other approach; to identify “champions of change “on trade facilitation we have succeeded to draft the other resolution of the government: MNCCI and Mongolian Customs Authority has been approved as “the leading agencies for trade facilitation”.

After this, especially after the declarations by the Government 2010 as the year of business environment reform which was initiated by MNCCI and supported by the government, things are getting better; more awareness among the policymakers, actions taken by government to accelerate the trade facilitation process, international agencies like UNESCAP and UNECE’s active involvement in trade facilitation process in Mongolia, creation of permanent committee on trade facilitation, more active involvement of private sector operators indifferent actions and activities. The innovative approach was that we have used World Bank “Doing Business Index “especially its sub index called “trading across border” not only as a research and information tool, more importantly, has benchmarked it as a policy action tool for trade facilitation putting its indicators as the benchmark indicators in the official document of the government entitled “Action plan of the business environment reform year-2010”.

But there is another “but” remaining: financing of trade facilitation/single electronic window. The government is not able to finance, UNESCAP, UNECE like organizations are able to provide only the technical assistance and expertise, WB and ADB like institutions don’t have trade facilitation in their “priority list”. So here is the definite area for Aid for trade Facilitation.

CONCLUSIONS

- Don’t wait. Initiate, insist, push, take a co-leadership as the trade facilitation is not only the government job, it is stakeholders based job.
- Reveal the champions of change from the government circles and encourage them by different tools among the business community.
- Stakeholders are not born, they are created. Therefore focus more building a stakeholdership rather than building a capacity.
- Contact directly, without waiting the government intermediation, with the international agencies as “the country ownership” does not mean “the government ownership” but means “stakeholders ownership”.