1. Trade Facilitation – Main Objective of the Mongolian Customs

2. Work Progress towards Trade Facilitation:
   - IT, Customs Automated Information System;
   - Risk Management

3. Challenges faced by the Mongolian Customs:
   - SEW;
   - Coordinated Border Management;
   - Supply Chain Security

4. Conclusion
## 1. Trade Facilitation – Main Objective of the Mongolian Customs

- Trade is an engine of economic growth
- Role of customs: shift from traditional revenue-focused customs
- Customs top management political will
- Change Management – Commitment from customs officers – Change minds and attitudes
- Business process re-engineering, implementation of customs new technique and working methods

**Example:** NOW - Post Clearance Audit (powerful tool for TF) is used mainly for revenue generation

**TO BE** – Risk Management doubled with PCA – efficient customs control technique aimed at TF

- Customs main principle - Informed Compliance: Tell the traders what they are doing wrong!

- **Customs2Business:** Association of Cashmere Exporters, etc.
Total turnover of foreign trade, 2004-2008, mln. USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>869.7</td>
<td>1 108.1</td>
<td>1 977.8</td>
</tr>
<tr>
<td>2005</td>
<td>1 064.9</td>
<td>1 542.8</td>
<td>2 607.7</td>
</tr>
<tr>
<td>2006</td>
<td>1 184.4</td>
<td>1 485.6</td>
<td>2 669.0</td>
</tr>
<tr>
<td>2007</td>
<td>1 949.1</td>
<td>2 170.1</td>
<td>4 119.2</td>
</tr>
<tr>
<td>2008</td>
<td>3 615.8</td>
<td>2 539.3</td>
<td>6 155.1</td>
</tr>
</tbody>
</table>

The increase of foreign trade turnover:
- During 2001-2008: Total turnover increased 5 times;
- Import increase – 5.7 times, average 71.2 % a year;
- Export — 4.3 times, 53.8 % a year;
- GDP 5-6 %

Worldwide - average /per year/:
- Import – 11 %
- Export-12 %
- GDP – 3 %
2. Work Progress towards Trade Facilitation

2.1. IT system:

Mongolian Customs’ information and communication technology development divided into three stages:

- **ASYCUDA**: 1993-2002
- **GAMAS**: System was developed by Mongolian IT experts in 2002, replaced ASYCUDA 2002-2010
- **CAIS**: ADB Customs Reform and Modernization Project 2007-2010


Mongolian Customs after implementation of CAIS
2.2. Introduction of “Risk Management”
(2002-2008)

1. No legal environment to introduce the Risk Management;
2. No strategic policy and comprehensive long/short-term action plan to introduce “Risk Management” was developed;
3. Frequent change of RM staff at the headquarters, no trained and assigned staff at frontline;
4. Lack of theoretical and practical experience of Risk Management staff;
5. No risk indicators and profiles are determined, technical and network difficulties while using RM module of GAMAS, etc.

- Negative side: Implementation failed - No professional approach, no sense of ownership, no commitment
- Positive result: started to talk, had trainings, “RM” notion became familiar to customs officers
2.2 Introduction of “Risk Management”
(Since 2009)

The Mongolian Customs set clear objectives to start de-facto implementation of RM from 2009. RM requires time, intellectual investment, highly skilled and motivated staff and is one of important Customs techniques. RM is compared to conductor of the orchestra.

1. Legal environment established by new Customs Law
2. Strategic plan and policy developed
3. Best practices and experience are being studied and actions to be taken
4. Capacity building: Foreign and local trainings conducted
6. USAID funded Consultancy Services
2.2 Obstacles and ways forward in introduction of “Risk Management”

1. Majority of customs officers do not have in-depth knowledge of entire RM concept (resistance, etc.);
2. RM regarded as “their business” (of RM assigned staff only);
3. Lack of PC’s and other equipment for RM staff (on site-1 computer for 4 officers); lack of funds to have access to APIS;
4. Insufficient knowledge of business community and other law enforcement agencies (Anti-Corruption Agency, Police, etc.).

What we need?
1. Constant training activities for customs officers
2. Public Awareness Campaign
3. RM Forum under the auspices of the President of Mongolia
3. Challenges faced by the Mongolian Customs

3.1. The Mongolian Customs: to act as a leading government agency to establish Single Electronic Window-SEW
3.2. Coordinated Border Management

Border Management

BIOSECURITY

CUSTOMS

IMMIGRATION

Flows of people, goods and craft

Customs role has changed since 9/11 attack: protection of society, thus border security became important goal of Customs
3.3. Supply Chain Security
3.3. Supply Chain Security

- Efficient tool for trade facilitation;
- Customs of single country is not capable to execute efficient and speedy control;
- Close cooperation of Customs authorities of neighboring countries is essential;
- To start from hazardous and perishable goods.

**Mongolia – PRC Cooperation: Joint Customs Control**

1. Three Working Group meetings;
2. Unified Cargo Manifest;
3. Pilot testing (official inauguration on December 15, 2009) – ADB acted as a facilitator;
4. To spread on other border points-modality corresponding to the specifics of each crossing point;

**Mongolia-PRC Cooperation: Supply Chain Security- Control over chemicals**

1. Green Customs Forum – Korea, Jeju Island
2. Euro-Asian Economic Forum – PRC
3. Diplomatic channels
Transportation of chemical products
Customs clearance of imported chemicals in last 5 years (by country of origin)

Statistic shows that 158748.4 tons of chemicals imported to Mongolia from China in the last 5 years.
3.4. Other Customs related TF factors

Customs Brokers’ Institution
1. Customs Brokers traditionally have to be “eyes and ears” of the Customs;
2. Customs Brokers Institution – key player in entire trade process, thus in TF.
The Mongolian Customs started the process of reforming this institution to meet international standards (obliged to settle the customs duties, to keep export/import supporting documents, etc.)
Once duly performed, the Customs Brokers can assist a lot towards trade facilitation.

Introduction of “Self Assessment” in customs valuation
# 4. Conclusion

<table>
<thead>
<tr>
<th>Before:</th>
<th>After:</th>
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<tbody>
<tr>
<td>- Priority - revenue collection</td>
<td>- Priority - social security and trade facilitation</td>
</tr>
<tr>
<td>- 100% physical examination</td>
<td>- Shift on RM and wide use of PCA as a trade facilitation technique</td>
</tr>
<tr>
<td>- Multiple control agencies at the border</td>
<td>- Coordinated border management</td>
</tr>
<tr>
<td>- Bottlenecks at the border</td>
<td>- Joint Customs Control – Supply Chain Security</td>
</tr>
</tbody>
</table>

- Coordinated border management
- Joint Customs Control – Supply Chain Security
MONGOLIA:
- from “LANDLOCKED” to “LANDBRIDGE” country
- Increased competitiveness

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