



Press Release
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Bolstering a Fair and Enabling Business Environment: A Case of Country of Origin Certificates

The American Chamber of Commerce in Mongolia (AmCham), who represents the interests of the business community of Mongolia, commends the Mongolian People's Party (MPP) Parliament and Cabinet that have come into power with the stated intent of stabilizing the Mongolian economy, regaining investors' confidence and supporting development of the private sector.

However, in early June 2016, the Customs General Administration issued a new regulation that requires all imports entering Mongolia to be accompanied by an original Country of Origin (CofO) certificate to obtain the most favored nation (MFN) tariff rate. Previously Mongolian Customs only required this documentation for goods classified as hazardous. The regulation, which would create many issues for importers, Mongolian businesses, and Mongolian consumers, is scheduled to be in effect on October 1st, 2016.

It appears that implementation of the Economic Partnership Agreement (EPA) between Mongolia and Japan is the impetus for this new regulation. The EPA requires an original CofO certificate for Japanese goods entering Mongolia so that they may receive zero or lower tariffs. Meanwhile, Japan only requires a CofO certificate for imports claiming a trade preference. It is neither fair nor efficient for Mongolian Customs to require all imports coming into Mongolia to have an original CofO certificate.

Furthermore, the World Trade Organization (WTO) does not require all imports coming into WTO member states, which Mongolia is, to have such documentation unless preferential tariff treatment are being sought. According to WTO, the preferential tariff rates, such as those included in the Mongolia-Japan EPA shall not constitute an impediment to trade on a MFN basis and should not raise barriers or create undue difficulties. However, the new regulation of CofO certificate requirement will put an enormous burden directly on businesses that import to Mongolia from WTO member states, with the exception of Japan.

There are numerous negative effects of this impending new regulation, including:

1. All 163 members of the WTO will be required to supply a CofO certificate for their goods to enter Mongolia at the MFN rate, which will unfairly discriminate against countries without an FTA with Mongolia
2. It will lead to making Mongolian exports less competitive and attractive due to possible reciprocation from other countries
3. It will impose heavy burdens and costs on all imports that are not seeking a preferential rate, which will impact the price of goods and be passed on to Mongolian consumers
4. It will lead to unnecessary additional delays and add 3-5 working days to the shipment, which is a huge burden and loss for importing businesses. For instance, it will result in the loss of millions of tons in production and revenue. In the case of mining companies, large amounts of tax revenues will be lost, which is hardly conducive to increasing investors' confidence and growing the mining industry
5. It will also impose a great burden on the Mongolian Customs Administration and require more man power and increase the operating costs of the department

The regulation as written also gives very broad discretionary powers to the individual customs officers to determine whether the CofO certificate provided justifies the normal MFN rate or not and enables a non-MFN tariff rate, which could be double the MFN rate to be applied before the goods can enter Mongolia. Further, it is particularly counter-productive to the admirable anti-corruption initiatives and procedures taken by the Mongolian Customs Authority in recent years to speed up the import process

We urge the Mongolian Parliament to reinstate the status quo and require only hazardous goods and those imports requesting zero or preferential tariff rates to provide an original Country of Origin certificate. This fair and reasonable policy will encourage international trade and commerce, send a positive message to foreign investors, will not burden Mongolian companies or customers with unnecessary costs and burdens, and will bolster a fair and enabling business environment in Mongolia.

About AmCham Mongolia

AmCham Mongolia is an independent membership-driven organization that seeks to build, strengthen, and protect business between the United States and Mongolia and to actively promote Mongolia as a destination for American investment. AmCham Mongolia is the official local affiliate of the U.S. Chamber of Commerce, the largest business federation in the world with over 3 million member companies. AmCham Mongolia is also a member of the Asia Pacific Council of American Chamber of Commerce, consisting of 29 American Chambers of Commerce in the Asia Pacific Region.