

COUNTRY NOTE

1. COMPILATION PRACTICES OF INTERNATIONAL MERCHANDISE TRADE STATISTICS OF MONGOLIA

1.1 Introduction

National Statistical Office of Mongolia (NSO) is responsible for compilation and dissemination of foreign trade statistics. Processing of the foreign trade data is based on information of the Customs General Administration of Mongolia. Customs statistics of foreign trade is registered all kinds of items, which includes export and import goods. For the customs statistics, primary source information is the customs declaration. Exports and imports are reflected in the official statistics after completion of customs clearance.

Foreign trade plays important role in economy development of Mongolia. Since 1990 there have many measures taken to liberalization of foreign trade and reduction for tariff limitations and customs barrier were a base to developing the country's foreign trade.

In 1997 Mongolia joined World Trade Organization. There was a condition had been formed to trading with WTO member countries in most favorable terms.

Since 1998 most of exports goods have been imposed by 5 percent customs tax and equipment and materials related to the foreign investment in some goods and equipment necessary for national economy development, have been exempted from the imports tax.

Due to growing of foreign investments and releasing of customs duties in imported equipments of entities, it is reflected in extending of volume production and services. As well as world market price of certain products have tendencies to grow, these are influencing in foreign trade deficit.

1.2 Scope and coverage

Customs statistics of foreign trade is registered all kinds of items, which includes export and import goods. But transit goods as well the goods which are temporarily crossed the border and returned across the frontier (excluding the goods produced in domestic and abroad market) are not registered in the foreign trade data due they are not reduce or increase the material resources of a country.

In accordance with the internationally accepted recommendations and the volume & value of non-monetary gold is included in statistical data of external trade since 2002. The volume and value of non-monetary gold for 1999-2001 was provided by Mongol Bank. Since the NSO included them in relevant years the results have been modified.

1.3 Commodity classification

The Commodities were classified according to the "Harmonized System of Coding Goods" developed by the World Trade Organization. These classifications include broad heading of commodity at 4-digit level and detailed description at 8 digit level. NSD also publishes trade statistics in SITC(Rev.3) at 2 digit level.

Recording of imports is made by country of origin and export by country of last destination.

1.4 Source of data

The main source of foreign trade statistics is custom declaration, which contains all detailed information about export and import goods. Also other source would be used. For example about energy information from Energy coordination office.

1.5 Concepts and definition

Concepts and definitions used for purpose of compiling these statistics are based on the United Nation' International Merchandise Trade Statistics: Concepts and Definitions (IMTS, Rev.2)

Exports – it means that a customs rule related to exports of goods, for the customs territory and for complete exports of them out of the territory.

Our country is referring to countries with general trade system. General export, cover the following goods:

- domestic goods originated from free circulation area
- domestic goods originated from industrial free zone
- goods processed in customs territory
- re-exports of foreign goods

Imports – it means that a customs rule for import of foreign goods to the customs territory. According to this rule any import taxes and fees, imposition on the foreign goods, should be paid and completed all of required activities. To the general import pertain the following goods:

- foreign goods
- foreign goods comprised of compensating products after outward processing
- re-imports of domestic goods

Re-export – Goods are regarded as re-exports when they are taken out of the country in the same form as they were imported without any transformation. Re-packing, sorting, or grading processes are not considered as part of transformation process.

Balance of trade – it is the difference between the value of exports and imports. When exports exceed imports it is recorded as a surplus while a deficit is registered when imports exceed exports.

1.6 Basis of valuation

The WTO Agreement on Valuation is used as the basis of valuation for all transactions of goods.

Exports are valued by "DAF – Mongolian border" term. It is like **F.O.B**(free on board) basis. For transfer of overall value of export in to American dollars, Mongol Bank exchange rate of the day of customs clearance is used.

Imports are valued by **C.I.F**(cost, insurance and freight) basis – Mongolian border condition, included all costs inside the frontier and this price is a customs price. For transfer of overall value of import in to American dollars, rate of exchange of the day, is used in which was made Mongol Bank.

1.7 Country of origin and destination

Exports are classified according to the country of last destination while import are classified according to the origin country of the goods.

1.8 Mode of transport

In Mongolian case most export import goods are transferring by railway.

1.9 Reporting and dissemination

Monthly trade data on selected goods and 4-8 digit HS by country and region, commodity group are published in the Monthly Statistical Bulletin and it is also possible to get from internet access. All data expressed in US\$.

In the official monthly statistical bulletin information on export and import are shown by the following groups:

- External trade turnover
- Export and import, by countries and months
- Export and import, by commodity groups and months
- Export and import by some commodities, by countries and months

2. GENERAL COMMENTS

I. COVERAGE AND TIME OF RECORDING

A. GENERAL GUIDELINES

14. Coverage. As a general guideline, it is recommended that international merchandise trade statistics record all goods which add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory. Goods simply being transported through a country (goods in transit) or temporarily admitted or withdrawn (except for goods for inward or outward processing; see para. 28 below) do not add to or subtract from the stock of material resources of a country and are not included in the international merchandise trade statistics. In many cases, a country's economic territory largely coincides with its customs territory, which is the territory in which the customs law of a country applies in full (for details, see chaps. II and VI below).

Comment: In our country case, we have recording goods with value over 1000 USD and include international merchandise trade statistics, however it appears like a commercial characteristics. The goods, which are imported by peddler/hawkers do not record in merchandise trade statistics due to it is not possible to know how many what kind of goods imported, however, they have paid particular taxes on goods with value less 1000 USD depending on their size. (The threshold of export goods is 500 USD and it records by same way to above mentioned). Therefore, value of imports might be under registered and it leads to incomplete coverage of imports for national accounts. This situation is facing common in developing countries. Arising out of this situation, there are some questions as goods with value less 1000USD shall be added in which classification of goods? And how have developing countries recorded such goods in merchandise trade data in this case? Hence, we have commenting to add some explanations about threshold of international merchandise trade, if countries set up any threshold for their foreign trade.

B-1. GOODS TO BE INCLUDED IN THE DETAILED INTERNATIONAL MERCHANDISE TRADE STATISTICS

27. Goods used as carriers of information and software. This category includes, for example, (a) packaged sets containing diskettes or CD-ROMs with stored computer software and/or data developed for general or commercial use (not to order), with or without a users' manual, and (b) audio- and videotapes recorded for general or commercial purposes (see para. 123 below for recommendation on valuation). However, (i) diskettes or CD-ROMs with stored computer software and/or data, developed to order, (ii) audio- and videotapes containing original recordings, and (iii) customized blueprints etc. are to be excluded from international merchandise trade statistics (see para. 48 below).

Comment: In Mongolian case, we could not able to sort audio CD and CD ROMs stored recordings and computer software, which are imported and exported by order or “consumer and commercial” purpose. We are commenting that it needs to add explanations about how can be sorted audio CD and CD ROMs stored recordings and computer software by order and, consumer and commercial purpose in the recommendations.

36. Ships, aircraft and other mobile equipment. International transactions in these goods are to be included in international merchandise trade statistics. Frequently, such transactions are not the subject of customs documents. In the absence of customs documents, they should be recorded using non-customs data sources, such as registry additions and deletions or enterprise surveys.

Comment: In our country case, we do not produce aircraft, import from the other countries, but we could not purchase it, just used by long-term rent. There is a question that how to record value of this rented aircraft arising from this case. For instance, we need to clarify whether it should be recorded annual rent cost for each year or once recorded by its lump sum of its own price in import data of particular year, which aircraft imported. Therefore, we are commenting to include details of value of rented assets for long-term in the recommendations.

B- 2. GOODS TO BE EXCLUDED FROM THE DETAILED INTERNATIONAL MERCHANDISE TRADE STATISTICS

48. Goods treated as part of trade in services.

(b) Newspapers and periodicals sent under direct subscription (see, for example, BPM5, paras. 212 and 213)

Comment: In Mongolian case, we could not able to sort imported and exported journals and newspapers, which are by order or “consumer and commercial” purpose. We are commenting that it is useful to add explanations in recommendations about how can be sorted journals and newspapers, which are by order or “consumer and commercial” purpose.

50. Goods which are acquired and relinquished within the compiling country, by non-residents, within the same recording period, and which do not cross the frontiers of this country. These are excluded from international merchandise trade

statistics. **Any difference between the value of the goods when acquired and the value when relinquished is recorded as merchandising under other business services in the national accounts and the balance of payments.**

Comment: I have commenting that 2nd part of article 50 should be formulated more detailed and concrete. Ventures with foreign investment have running business on manufacturing sector, particularly, clothes making and knitting in our country in order to use quotas, which granted from other countries and cheap labor force. Those manufactures have imported raw material from other countries and processing end-products by imported raw materials, and exporting those products. In this case, only wages and salaries of their employees have included in GDP estimation of our country and data on their profits does not cover in GDP estimation. Thus, unit price of their products seems/appears to much cheaper. In real terms, unit price of their export products is higher by 3-4 times than the producer's price. In this regard, I am commenting that more detailed explanations about how to cover this case in SNA and Balance of payment is useful.

IV. Valuation

123 (a) Unissued banknotes and securities and coins not in circulation be valued at the transaction value of the printed paper or stamped metal rather than at their face value.

Comment: I am commenting to formulate this part more clearly. There are some unclear issues as follows: which kinds of banknotes are belonging to "un issued banknotes"; either new banknotes, which produced in overseas are in circulation and all currencies supplied for commercial banks shall belong to "un issued banknotes"; or supplied old banknotes for commercial banks of the particular country, which were in circulation before in foreign countries belong to "un issued banknotes". Also, there needs to detailed explanation about "transaction value" defined in part 123(a). How can we value and record "unissued banknotes", if it considers as a good?

E. COUNTRY CLASSIFICATION

151. It is recommended that the statistical territory of each country, as defined by the country itself, constitute the basis upon which the trading partners of each country compile their statistics of trade by countries. , 81 82

Comment: Should be compile goods, which constituted as "Made in EU" by which country or trading partners? Because of, EU does not separately classified in UN country classification. In our case, we have recording such goods by dispatched or sender country. Is it correct? I am commenting to add information about this case in part of country coding.

3. OTHER

Comment: Goods, which are belonging to machinery and equipments have updating through the technological progress for every year. In this regard, their types, models and prices are changing, and it losing comparability of goods. Nevertheless, this part occupies an important position to estimate export and import price index and GDP by expenditure at the constant prices. My comment is that to add details about this case in the recommendations.

Comments: I would like to mention that might be arise issues to harmonize with updated SNA 2008 and on going BPM6 recommendation during the process of IMTS development.