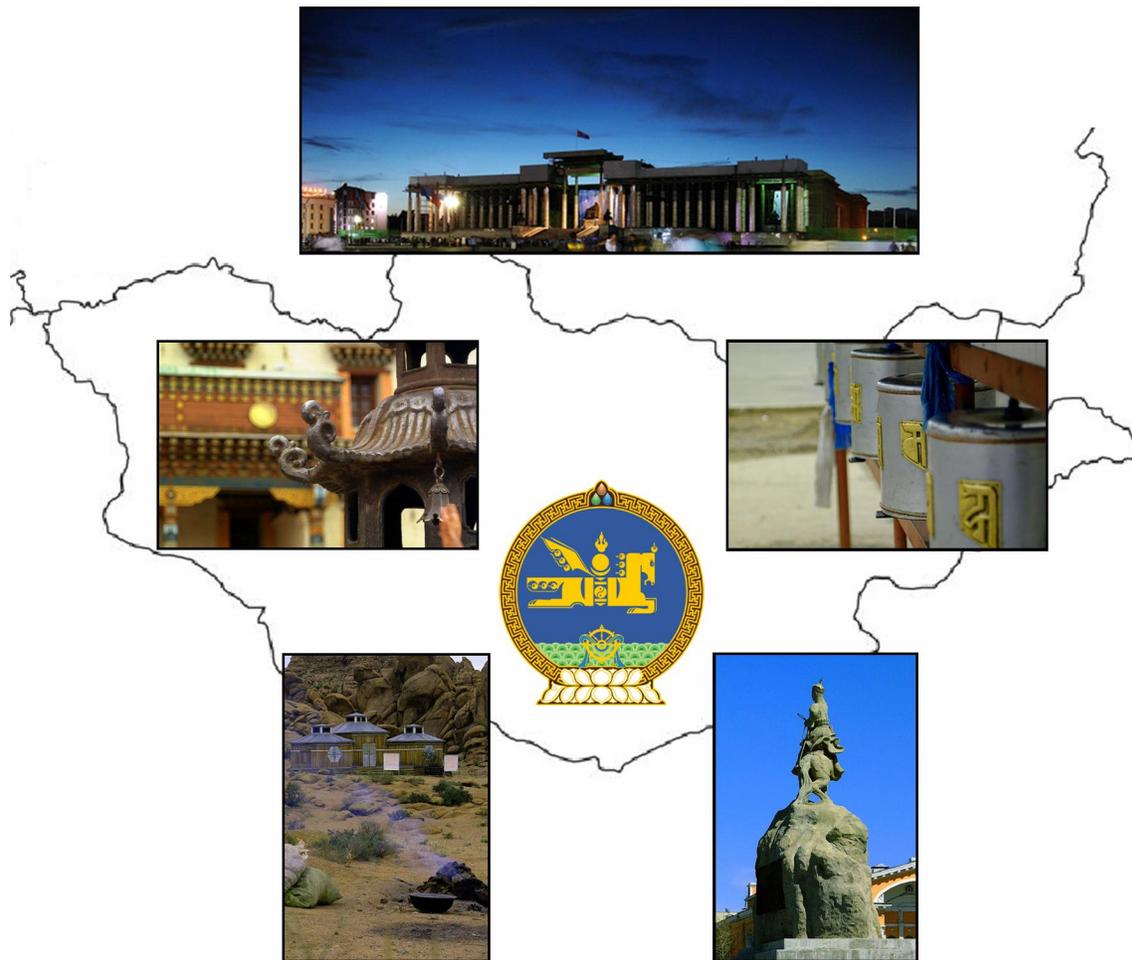


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# U.S. Trade and Development Agency

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## Mongolia Standards Development Trade Capacity Building Business Briefing



July 18, 2007

Prepared by



This report was funded by the U.S. Trade and Development Agency (USTDA), a foreign assistance agency of the U.S. Government. The opinions, findings, conclusions, or recommendations expressed in this document are those of the original author(s) and do not necessarily represent the official position or policies of USTDA or the Meridian International Center.



U . S . T R A D E A N D D E V E L O P M E N T A G E N C Y

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July 18, 2007

Dear Briefing Participant:

We are pleased that you have joined us today for the Mongolia Standards Development Trade Capacity Building business briefing. This briefing is part of an orientation visit that aims to increase the Mongolian delegation's understanding of the process by which commercial and industrial standards are developed, issued and implemented in the United States, and provide an opportunity for exchange of information with U.S. stakeholders in the areas of standards development and conformity assessment practices.

As a foreign assistance agency, the U.S. Trade and Development Agency (USTDA) delivers targeted funding for technical assistance and project planning activities designed to create an enabling environment for trade, investment and sustainable economic development. We work to promote U.S. technology and best practices as they relate to the development goals of the developing and middle-income country project sponsors. Our goal is to create mutually beneficial connections between U.S. businesses and overseas project sponsors to establish the infrastructure necessary for a vibrant and growing economy.

We hope that today's briefing will enable you to obtain useful information and develop new relationships or enhance existing ones that will bear fruit in the months and years ahead. As part of USTDA's standard evaluation process, our contractor team from Meridian International Center will contact you again in approximately 12 months to determine if this briefing was helpful to you, and we will appreciate your feedback at that time.

Thank you again for your participation in the USTDA event from which we hope you will benefit greatly.

Sincerely,

A handwritten signature in blue ink, appearing to read "Henry Steingass".

Henry Steingass  
Regional Director for Asia

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# U.S. Trade and Development Agency

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The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

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# I. BUSINESS BRIEFING AGENDA

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**8:15 am –**            **REGISTRATION AND CONTINENTAL BREAKFAST**  
**9:30 am**

**9:20 am**            **GROUP PHOTO OF MONGOLIAN DELEGATION**

**9:30 am –**            **WELCOME REMARKS BY AMBASSADOR STUART HOLLIDAY,**  
**9:35 am**            **PRESIDENT AND CEO, MERIDIAN INTERNATIONAL CENTER**

**9:35 am –**            **WELCOME REMARKS BY GEOFFREY JACKSON, DIRECTOR FOR**  
**9:45 am**            **POLICY AND PROGRAMS, USTDA**

**9:45 am –**            **OPENING REMARKS BY MONGOLIAN DELEGATION LEADER**  
**10:00 am**

**Mr. Bat-Undrakh NYAMSUREN**  
State Secretary  
Ministry of Industry and Trade

**10:00 am –**            **PRESENTATIONS BY MONGOLIAN DELEGATION**  
**10:45 am**

**Mr. Galbadrakh GANTUMUR**, Director, National Center for  
Standardization and Metrology  
– *Mongolian Agency for Standardization and Metrology (MASM)*  
– *Current Situation of Standardization Activities in Mongolia & TBT*  
– *Certification Department*

**Ms. Puntsag BAIGALMAA**, Officer, National Center for Standardization  
and Metrology  
– *Legal Metrology and Standards Department*  
– *Mongolian Accreditation System*

**10:45 am –**            **COFFEE BREAK**  
**11:00 am**

**11:00 am –**            **ADDITIONAL PRESENTATIONS BY MONGOLIAN DELEGATION**  
**12:30 pm**            **QUESTION AND ANSWER SESSION**

**Mr. Natsagdorj BYAMBADORJ**, Director, Administration Department

*– Regulatory Agency of the Government of Mongolia –State  
Specialized Inspection Agency*

**Ms. Magvan OYUNCHIMEG**, Deputy Chairman, Mongolian National  
Chamber of Commerce and Industry (MNCII)  
*– Trade Facilitation Activity of the MNCII*

**Mr. Ochirbat ZORIGT**, General Manager, Mongolian National Mining  
Association  
*– Mongolian Responsible Mining Centre (MRMC)*

**12:30 pm – BUFFET LUNCH**  
**2:00 pm KEYNOTE ADDRESS**

**Timothy Wineland**, Senior Director, China Affairs  
Office of the United States Trade Representative (USTR)

**2:00 pm – ONE-ON-ONE MEETINGS**  
**5:00 pm**

**5:00 pm END OF BUSINESS BRIEFING**

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## II. MONGOLIA STANDARDS DEVELOPMENT DELEGATION

### Participant List

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**Mr. Dorjsuren BADARCH**

Director, Department for Light Industry, Ministry of Industry and Trade

**Ms. Puntsag BAIGALMAA**

Officer, National Center for Standardization and Metrology

**Mr. Amraa BAT-ERDENE**

State Inspector for Standards and Services, The State Specialized Inspection Agency

**Mr. Galsanjamts BATNEMEKH**

Senior Officer, Construction and Planning Department, Ministry of Construction and Urban Development

**Mr. Natsagdorj BYAMBADORJ**

Director, Administration Department, The State Specialized Inspection Agency

**Ms. Jaltsan DOLGORMAA**

Director, Industry and Services Division, Ulaanbaatar City Governors' Office

**Mr. Galbadrakh GANTUMUR**

Director, National Center for Standardization and Metrology

**Ms. Bat-Ochir GEREL**

Director, Administration Department, National Center for Standardization and Metrology

**Mr. Dangaasuren MUNKHJARGAL**

Officer, Trade and Economic Cooperation Department, Ministry of Industry and Trade

**Mr. Bat-Undrakh NYAMSUREN**

State Secretary, Ministry of Industry and Trade

**Ms. Magvan OYUNCHIMEG**

Deputy Chairman, Mongolian National Chamber of Commerce and Industry (NGO)

**Mr. Enebish SUMIYA**

Senior Expert, Cabinet Secretariat of the Government of Mongolia

**Ms. Luvsansharav TUYA**

Head of Standards, Commission, Mongolian Employers' Federation (NGO)

**Mr. Ochirbat ZORIGT**

General Manager, Mongolian National Mining Association (NGO)

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III. MONGOLIA STANDARDS DEVELOPMENT DELEGATION  
Participant Biographies

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*Name* Mr. Dorjsuren **Badarch**

*Present Position* Director, Department for Light Industry, Ministry of Industry and Trade

*Previous Positions* Director, Industrial Policy and Coordination Department, Ministry of Industry and Trade  
Economics and Management Teacher, Mongolian National University  
Senior Research Fellow and Deputy Director of the Department, Institute of Economics, Academy of Science

*Education* Moscow Management Institute (Russia), Engineer-Economist  
Mongolian State University, Candidate of Economic Science (PhD)

*Publications* Has published more than 40 works, including:  
"Issues of Industrial Development Strategy," Mongolian State University publication, Ulaanbaatar, 2000.  
"Large-scale Industry and Industrialisation," *Transactions of the Institute of Economics*, Volume 2, Ulaanbaatar, 1987.  
"Mongolian Economy in Transition: Present Status and Problems," KDI Economic Development in Transition Economies, Seoul, 2001.

*Contact Information* Telephone: 976-99096682  
Email: ipbadarch@yahoo.com

*Languages* Russian

*Personal Data* Married, 2 children

*Goals for Visit* Mr. Badarch is a member of the National Council for Standardization, which approves Mongolia's standards. Mongolia is bringing its standards up to the ISO level. The Council is seeking non-tariff arrangements in trade (such as standards requirements to control cashmere exports, rather than using export tariffs). On this OV, Mr. Badarch would like to see how the U.S. crafts and implements standards on products, e.g. meat, because meat is an important export product for Mongolia.

\*\*\*\*\*

*Name* Ms. Puntsag **Baigalmaa**

*Present Position* Officer, National Center for Standardization and Metrology

*Previous Positions* Secretary of Food, Agricultural, Environmental and Health Care  
Standardization Technical Committee, Mongolian National Center for  
Standardization and Metrology  
Standard Translator, Mongolian National Center for Standardization and  
Metrology

*Education* Masters of Science in Veterinary Medicine, University of Agriculture,  
Kazakhstan

*Contact Information* Peace Avenue 46A  
210351-Ulaanbaatar, Mongolia  
Telephone: 976-99094012, 976-11-452091  
Fax: 976-11-458032  
Email: [masm@mongol.net](mailto:masm@mongol.net)

*Languages* Russian, English

*Personal Data* Single

*Goals for Visit* Same goals as Director Gantumur, especially to learn more about the U.S.  
standards system.

\*\*\*\*\*

*Name* Mr. Amraa **Bat-Erdene**

*Present Position* State Inspector for Standards and Services, The State Specialized Inspection  
Agency

*Previous Positions* State Inspector, Metropolitan State Specialized Inspection  
Sales and Procurement Engineer, Tumenbadrakh, Ltd.  
Engineer, Meat Impex, Ltd.

*Education* B.A., Mechanical Engineering, The Technical University of Mongolia

*Contact Information* Capital Building #2  
Revolutionary Avenue-15  
Ulaanbaatar-211238, Mongolia  
Telephone: 976-99183987, 976-11-311003  
Email: [byambadorj\\_na@yahoo.com](mailto:byambadorj_na@yahoo.com)

*Languages* Russian

*Personal Data* Married

*Goals for Visit* Same goals as Director Byambadorj. In addition, Mr. Bat-Erdene would like  
to learn about the standards for mining equipment and heavy machinery.

*Name* Mr. Galsanjamts **Batnemekh**

*Present Position* Senior Officer, Construction and Planning Department, Ministry of Construction and Urban Development

*Previous Positions* Head of Construction Machinery Division, the State Specialized Inspection Agency  
General Director, Tusheet Co. Ltd.  
Chief Engineer, Construction Machinery Company

*Education* Bachelor of Construction Machinery Engineering, The Technical University of Mongolia, Mongolian University

*Contact Information* Telephone: 976-99113652  
Email: batnemekh@mcud.pmis.gov.mn

*Languages* Russian, German

*Personal Data* Married, 3 children

*Goals for Visit* Mr. Batnemekh is in charge of the construction mechanization issues involving light and heavy construction machinery and equipment. He would like to see the operations of some heavy equipment producers, such as Caterpillar. Also, in connection with the Mongolian Government's 40,000-unit housing project, he wants to see operation/production of elevators, and other construction building equipment.

\*\*\*\*\*

*Name* Mr. Natsagdorj **Byambadorj**

*Present Position* Director, Administration Department, The State Specialized Inspection Agency

*Previous Positions* Advocate of the Mongolian Advocate Federation  
Director of Suld Lawyer Bureau  
Secretary of Chief of People Deputy in Nalaikh

*Education* Law, National University of Mongolia

*Contact Information* Builders Square- 13  
Ulaanbaatar-211238, Mongolia  
Telephone: 976-99119693, 976-11-261425  
Email: byambadorj\_na@yahoo.com

*Languages* Russian

*Personal Data* Married

*Goals for Visit* Mr. Byambadorj would like to see how inspection organizations function in the U.S. and to learn about the process of standards, including how they are approved and how enforcement is ensured and monitored.

\*\*\*\*\*

*Name* Ms. Jaltsan **Dolgormaa**

*Present Position* Director, Industry and Services Division, Ulaanbaatar City Governors' Office

*Previous Positions* Senior Officer, Production and Service Division of the Office of the Capital Governor  
Expert, Association for Mongolian Consumer Rights

*Education* Bachelor's Degree in Food Engineering, Odyssey University

*Contact Information* Telephone: 976-99081929  
Email: dolgormaa1957@yahoo.com

*Languages* Russian

*Personal Data* Married, 2 children

*Goals for Visit* Ms. Dolgormaa is in charge of Ulaanbaatar City's trade and services policy issues through the Mayor's Office, and deals with standards related to trade and services. Her office issues permits for businesses, and the State Inspection agency ensures the enforcement of standards. She wants to see the process of developing and approving standards, including how U.S. standards are established (whether based on issues that arise or as part of long-term planning based on pre-emptive assessments of future needs). She also sits on the Committee assigned by the Cabinet to review current standards.

\*\*\*\*\*

*Name* Mr. Galbadrakh **Gantumur**

*Present Position* Director, National Center for Standardization and Metrology

*Previous Positions* Head of Department, Adviser to the Chairman, Senior Officer and Senior Manager, National Center for Standardization and Metrology  
Head of General Department, State Board for Standards

*Education* Engineer Mechanic, Technology Institute

*Contact Information* P.O. Box 48, Peace Street 46  
Ulaanbaatar-210351, Mongolia  
Telephone: 976-11-26805, 976-99115092  
Fax: 976-11-458032  
Email: masm@mongol.net

*Languages* English, French, Russian and Japanese

*Goals for Visit* Mongolia has started talking with the U.S. about possibilities of deepening the trade relationship, and one of the fundamental issues in this respect is standards and technical regulations. Therefore, Mr. Gantumur wants to see how the U.S. standards system works.

The NCSM has drafted and submitted to the Parliament a proposal on amendments to the Standardization and Conformity Assessment Law. In this connection they would like to learn about the legal framework on standardization in the U.S.

\*\*\*\*\*

*Name* Ms. Bat-Ochir **Gerel**

*Present Position* Director, Technical Regulations Department, National Center for Standardization and Metrology

*Previous Positions* Manager, Standardization and Conformity Assessment Department, National Center for Standardization and Metrology  
Senior Officer, International Cooperation Division, MNCSM  
National Secretary, East Asian Forum on Terminology

*Education* Bachelor of Engineering, Voronej Technological Institute of Food Production  
Certificate of French Language, Mongolian National University  
Certificate of English Language, Mongolian National University

*Contact Information* P.O. Box 355  
Ulaanbaatar-13, Mongolia  
Telephone: 976-99889010, 976-11-324710  
Email: gerelb4@yahoo.com

*Languages* English, French, Russian and Japanese

*Personal Data* Married, 2 children

*Goals for Visit* Ms. Gerel is interested in learning how the U.S. standards system works in general and the structure of the U.S. standards system; meeting with a technical committee that approves/sets the standards in U.S. and learning more about the standards approval process; meeting with entities or bodies that participate in standards making process; and learning about the process of standards application and legal requirements for standards.

\*\*\*\*\*

*Name* Mr. Dangaasuren **Munkhjargal**

*Present Position* Officer, Trade and Economic Cooperation Department, Ministry of Industry and Trade

*Previous Positions* Officer, Economic Cooperation Department, Ministry of Foreign Affairs  
Officer, Aid Coordination Office, Cabinet Secretariat of Prime Minister

*Education* Bachelor of International Studies, Mongolian National University  
Clingendael Institute, Hague, Netherlands  
Trade Policy Course, WTO, Geneva, Switzerland  
MA in International Business Administration, Northumbria University, UK

*Contact Information* Telephone: 976-88112242  
Email: munkhjargal999@gmail.com

*Languages* Russian, English, French, Japanese

*Personal Data* Single

\*\*\*\*\*

*Name* Mr. Bat-Undrakh **Nyamsuren**

*Present Position* State Secretary for Industry and Trade, Ministry of Industry and Trade

*Previous Positions* Advisor to the Member of Parliament  
General Secretary, Republican Party's Secretariat  
Deputy Director, Public Transportation Auto Parks

*Education* MBA, Academy of Public Administration

*Contact Information* Telephone: 976-99117689  
Email: bnyamsuren@mit.pmis.gov.mn

*Languages* English

*Personal Data* Married, 1 child

*Goals for Visit* Mongolia's foreign trade is broadening and Mongolia has trade agreements with many countries, including the U.S., China, and the EU. Therefore, standards in trade are becoming an important issue. In light of the Trade and Investment Framework Agreement (TIFA) with the U.S., standards are becoming a priority issue that needs to be addressed to increase cross border trade between the two countries. Thus, the Mongolia delegation consists of people from different agencies covering different aspects of standards.

\*\*\*\*\*

*Name* Ms. Magvan **Oyunchimeg**

*Present Position* Deputy Chairman, Mongolian National Chamber of Commerce and Industry  
(NGO)

*Previous Positions* Head of Foreign Relations and Cooperation Department, Mongolian National Chamber of Commerce and Industry  
Expert, Senior Expert, Deputy Chief of Department, Mongolian National Chamber of Commerce and Industry

*Education* Spanish and Russian, Institute of Foreign Languages, Moscow, Russia  
Advanced Training Courses in English, English for Special Purposes Institute  
Mongolian Institute of Economics

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Fax: 976-11-324620  
Email: oyunchimeg.m@mongolchamber.mn

*Languages* Russian, Spanish, English

*Personal Data* Married, 1 child

\*\*\*\*\*

*Name* Mr. Enebish **Sumiya**

*Present Position* Senior Expert, Cabinet Secretariat of the Government of Mongolia

*Previous Positions* Senior Officer, Mongolian People's Revolutionary Party  
Chairman of Agricultural Division, Dundgobi Aimag Party Committee

*Education* Veterinary Degree, Institute of Agriculture of Mongolia

*Contact Information* Apartment 15-78  
Suhbaatar District- 7  
Ulaanbaatar, Mongolia  
Telephone: 976-99111159, 976-11-352173  
Email: sumiya\_E@prime.pmis.gov.mn

*Languages* English, Russian

*Goals for Visit* Mr. Sumiya deals with agricultural and trade and industry related issues on the policy level, and with citizen's recommendations and complaints, many of which relate to improvement of standards policy and regulations. Currently, standards conformity assessment (CA) is done by the government, but businesses say that CA can be done by an organization representing businesses (for example, the Mongolian National Chamber of Commerce and Industry). Therefore, he is interested in seeing how the U.S. handles conformity assessment and other non-tariff arrangements in trade relations.

\*\*\*\*\*

*Name* Ms. Luvsansharav **Tuya**

*Present Position* Head of Standards Commission, Mongolian Employers' Federation (NGO)

*Previous Positions* Director, Vice Director, Vertical Co., Ltd.  
Officer of Information, Construction Norms and Standards Ministry of  
Construction  
Architect, State Construction Institute

*Education* B.A., Architectural Design and Planning, Mongolian National University  
Diploma in Public Administration/Management, Management and  
Development Institute  
M.A., Architectural Design and Planning, Technical University of Mongolia

*Contact Information* Telephone: 976-99116523  
Email: v\_ena@yahoo.com

*Languages* English, Russian

\*\*\*\*\*

*Name* Mr. Ochirbat **Zorigt**

*Present Position* General Manager, Mongolian National Mining Association (NGO)

*Previous Positions* Deputy Director, National Research Center of Coal Chemistry and  
Technology  
Researcher, Mining Institute  
Engineer-economist, Institute of Fuel and Energy

*Education* Engineer Economist, Institute of National Economy

*Contact Information* Apartment 13A, 3D Khoroolol  
Bayanzurkh District  
Telephone: 976-99111159  
Email: ozorigt@yahoo.com

*Languages* English, Russian

*Goals for Visit* The MNMA wants Mongolian mining to be environmentally friendly and  
safe for human health. Mr. Zorigt is interested in seeing how the U.S. crafts  
such standards for its mining sector.

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## IV. BACKGROUND ON STANDARDS DEVELOPMENT IN THE U.S.

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A publication of the American National Standards Institute



### Overview of the U.S. Standardization System

*Understanding the U.S. Voluntary Consensus Standardization and Conformity Assessment Infrastructure*

July 2005

American National Standards Institute

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## **Overview of the U.S. Standardization System**

*Understanding the U.S. Voluntary Consensus Standardization and Conformity Assessment Infrastructure*

### **A Brief Introduction**

Shaped over more than a century by the changing face of this nation's history, culture and values, the U.S. standardization system reflects a market-driven and highly diversified society. It is a *decentralized* system that is naturally partitioned into industrial sectors and supported by independent, private sector standards developing organizations (SDOs). It is a *demand-driven* system in which standards are developed in response to specific concerns and needs expressed by industry, government<sup>1</sup>, and consumers. And it is a *voluntary* system in which both standards development and implementation are driven by stakeholder needs.

Standardization encompasses a broad range of considerations – from the actual development of a standard to its promulgation, acceptance and implementation. Also included are the methods of evaluating conformance to a standard – issues such as laboratory accreditation; certification of products, processes, systems, services and personnel; metrology and measurement; testing and sampling, and more. Standardization has become the key to market access and is inherently essential to a sound national economy and to the facilitation of global commerce.

### **A Reflection of American Values**

The U.S. standardization infrastructure is firmly rooted in American history and experience. It reflects a basic national belief that society will benefit and innovation and creativity will flourish in a system that is free from centralized government control but strengthened through essential governmental participation.

Voluntary standards serve as the cornerstone of the distinctive U.S. infrastructure. These documents arise from a formal, coordinated, consensus-based and open process. Their development depends upon data gathering, a vigorous discussion of all viewpoints, and agreement among a diverse range of stakeholders. Thousands of individuals, companies, labor, consumer and industrial organizations, and government agencies at the federal, state and local level voluntarily contribute their knowledge, talents and efforts to standards-setting activities.

The costs for developing and implementing a voluntary standard are borne by those who will derive benefit from that document. Certain expenses are borne by the entity responsible for facilitating development of the standard and others by the parties – the subject matter experts and those who employ or support them – who participate in its creation. The end user bears the cost of purchase, if applicable, and assumes responsibility for implementation expenditures. The equitable distribution of expenses incurred during the standardization life cycle helps to mitigate the risk that any single group will attempt to exercise undue influence because it has borne an inordinate share of the expenses.

Voluntary refers only to the manner in which the standard was developed; it does not necessarily refer to whether compliance to a consensus standard is optional or whether a government entity or market sector has endorsed the document for mandatory use.

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<sup>1</sup> Unless a more specific indication is included in future references, “government” should be read as “government at all levels and all jurisdictions, whether federal, state or local.”

Most other countries adhere to a “top-down” approach to standardization where the government or groups closely coupled to government either serve as the standards setter or mandate what standards will be developed. Because of these differences, many other regions frequently perceive that no entity in the U.S. – neither the government, nor any central authority – is in charge.

### **Coordinating the Work of Diverse Organizations**

In the late 1800’s and early part of the 20th century, these observations would have been correct. As World War One was drawing to a close, it was apparent that there was a need for coordination among U.S. standards-setting groups to avoid duplication of effort. In October 1918, three government agencies and five private sector organizations<sup>2</sup> joined together to form a coordination body known as the American Engineering Standards Committee, the predecessor of what is now known as the American National Standards Institute (ANSI).

Since its formation, ANSI has held the unique responsibility of bringing together diverse private and public sector interests and accredited and non-accredited standards development organizations. The Institute has helped to forge the robust working partnership that now exists among all stakeholders. This relationship has led to the development of thousands of voluntary consensus standards for the United States, the effective representation of U.S. needs and viewpoints in regional and international standards-setting activities, and the minimization or elimination of overlap and duplication in standards-setting activities.

Nearly ninety years later, the U.S. standardization community is comprised largely of non-governmental SDOs and consortia; these groups are primarily supported by industry participation. The system is extremely flexible and provides great autonomy.

Scientific and professional societies like the American Society of Mechanical Engineers (ASME), the Acoustical Society of America (ASA), and the American Society of Safety Engineers (ASSE) are involved in standards development activities that further the work of their respective organizations and the professions that they support.

Trade associations, on the other hand, deal with a particular industry and promote its products or services. Some associations, such as the Telecommunications Industry Association (TIA) and the Aerospace Industries Association (AIA), develop standards for the products manufactured by their members, while others might focus on developing standards for products used by their industries.

Organizations such as the Institute for Electrical and Electronics Engineers (IEEE) and the Electronic Industries Association (EIA) develop technical standards that cut across many industries. Large umbrella groups such as ASTM International recognize standardization as its primary focus; yet other organizations, such as Underwriters Laboratories (UL), develop standards as a logical complement to their conformity assessment activities of testing and certification.

Consortia standards are developed by companies who agree to work together to solve a specific market need. Consortia documents may offer a solution to a problem, but participation in standards-setting is limited to members of the consortia. Membership often requires a substantial financial contribution.

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<sup>2</sup> The American Institute of Electrical Engineers (now IEEE), the American Society of Mechanical Engineers (ASME), the American Society of Civil Engineers (ASCE), the American Institute of Mining and Metallurgical Engineers (AIMME), the American Society for Testing Materials (now ASTM International), the U.S. Departments of War and the Navy (now Defense) and the U.S Department of Commerce.

*De facto* standards are normally developed outside the traditional framework and usually appeal to a more narrow market than standards written by voluntary standards-focused organizations. Often seen in areas of rapidly developing technologies, these “marketplace” standards can be produced more quickly than standards developed in a more formal process, but they do not feature the broad and open participation, due process or consensus-based approval sought by certain users, among them regulators and procurement agents.

## **Harmonizing U.S. Government and Private Sector Standardization Activities**

Not surprisingly, the U.S. federal government is the largest single creator and user of specifications and standards – current estimates point to more than 44,000 distinct statutes, technical regulations or purchasing specifications. Decisions about which standards are most appropriate for U.S. government use are left to the discretion of individual agencies. Recent trends indicate that voluntary consensus standards are being increasingly referenced by U.S. agencies and regulatory bodies.

Add the more than 50,000 standards estimated to come from the private sector in America and the nation’s total inventory of standards quickly approaches 100,000. These documents are produced and maintained by nearly 600<sup>3</sup> standards organizations in the United States, 200 of which are accredited by ANSI as developers of American National Standards (ANSs).<sup>4</sup>

While this decentralized approach works well for the U.S., there remains a need for the coordination of standards policy. Two significant initiatives help to provide the necessary guidance and direction:

In the mid-1990s, Congress stepped forward with enactment of the *National Technology Transfer and Advancement Act* (Public Law 104-113) which assigned the responsibility for coordinating standards policy among federal agencies to the National Institute of Standards and Technology (NIST), a non-regulatory federal agency within the Technology Administration of the U.S. Department of Commerce. As NIST is also the federal agency responsible for measurement standards (weights and measures) in the U.S. it works in close collaboration with ANSI.

In 1999-2000 the U.S. public and private sectors joined together under ANSI auspices to develop the first-ever *National Standards Strategy for the United States*, which reaffirmed reliance upon the basic structure of the U.S. system and made recommendations for improving it. The Strategy is being updated during 2005 (for more information: [www.ansi.org/nss](http://www.ansi.org/nss) or [www.ansi.org/uss](http://www.ansi.org/uss) ).

Both U.S. government and private-sector stakeholders participate in both domestic and international standards activities in a variety of ways: through treaty organizations where governments are members; through non-treaty organizations where private-sector entities are members; through professional and technical organizations whose membership is on an individual or organizational basis; and through consortia and other forums.

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<sup>3</sup> Page 5, *Standards & Competitiveness: Coordinating for Results*, U.S. Department of Commerce, May 2004.

<sup>4</sup> ANSI accredits standards developing organizations (SDOs) that meet a set of essential requirements and criteria that govern the management of consensus standards development in a fair and open manner. ANSI’s approval of a candidate standard as an ANS verifies that the principles of openness and due process have been followed and that a consensus of all interested parties has been reached. Due process requires that all proposed ANSs be circulated to the public at large for comment, that an attempt be made to resolve all comments, and that there is a right of appeal. In addition, ANSI considers any evidence that a proposed ANS is contrary to the public interest, contains unfair provisions or is unsuitable for national use. This basic formula has been the hallmark of the ANS process for decades, and it has garnered worldwide respect and acceptance.

Regardless of the venue, as a signatory of the World Trade Organization, the U.S. is responsible for pursuing standardization activities that are in full compliance with the WTO Agreement on Technical Barriers to Trade (WTO/TBT) and its internationally accepted principles of standardization – transparency, openness, impartiality, effectiveness and relevance, consensus, performance-based, coherence, due process, technical assistance. In addition, U.S. interests strongly agree that the process should be flexible, timely, and balanced.

Organizations that are accredited by ANSI to develop American National Standards or to serve as U.S. Technical Advisory Groups (U.S. TAGs) to the International Organization for Standardization (ISO), or organizations that are approved by ANSI's U.S. National Committee (USNC) of the International Electrotechnical Commission (IEC) to serve as U.S. TAGs to IEC committees, are required to adhere to a set of essential requirements that are aligned with the WTO principles.

Government bodies such as the U.S. Department of Commerce and its agencies (e.g., NIST and the International Trade Administration (ITA)); the U.S. Department of State; the Office of the U.S. Trade Representative (USTR), and other regulatory agencies throughout the federal system work closely with each other, with ANSI, and with others in the private sector on issues affecting U.S. competitiveness in the global marketplace.

### **Examining the Other Side of the Coin**

On the other side of the standardization coin is conformity assessment<sup>5</sup>, a term used to describe the evaluation of products, processes, systems, services or personnel to confirm adherence to the requirements identified in a specified standard. Conformity assessment activities such as testing, certification, and accreditation are closely associated with standards and provide the consumer or end user with a measure of confidence in the products and services being purchased. For this reason, conformity assessment has become a critically important aspect of conducting business in the global marketplace and is often made visible through product marking or other marketing and promotional efforts.

ANSI's role in the conformity assessment arena includes accreditation of organizations that certify that products and personnel meet recognized standards. The ANSI-American Society for Quality National Accreditation Board (ANAB) serves as the U.S. accreditation body for management systems certification, primarily in areas such as quality (ISO 9000 family of standards) and/or the environment (ISO 14000 family of standards). ANSI also is involved in several international and regional organizations to promote multilateral recognition of conformity assessments across borders to preclude redundant and costly barriers to trade.

### **Conclusion**

The U.S. commitment to global standardization and conformity assessment is strong and unequivocal, but it is a commitment made without bias to any specific organization or standards development methodology. The U.S. standardization system recognizes and respects the fact that many well-known international standards bodies coexist with hundreds of other entities that develop standards for global use and that no single method of standards development can satisfy the needs of all sectors.

Rapidly evolving technologies such as information technology, telecommunications, and nanotechnology, for example, have requirements that are far different from those of steel or textiles or

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<sup>5</sup> Elements of conformity assessment include the accreditation of laboratories and certifiers; the certification of products, processes, systems, services and personnel; metrology and measurement; testing and sampling, inspection, supplier's declaration of conformity, and more.

highly regulated technologies such as medical devices and pharmaceuticals. The stakeholders in the standardization process — companies, government agencies, public interest organizations, and individuals — choose the method of standards development and the conformity assessment scheme appropriate for their particular needs.

The complexity of the U.S. standardization and conformity assessments system is balanced with its flexibility. The decentralized, sector-based and market-driven standards system is extremely responsive to changing market demands, guides the energy of U.S. innovation and enhances the global competitiveness of U.S. business while at the same time improving the U.S. quality of life. It is an outstanding example of how a strong, dynamic partnership between government and the private sector can help the nation achieve its economic and societal goals.

## **Top 10 Things to Know About The U.S. Standards & Conformance Systems**

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1. The vast majority of rules which apply to businesses and consumers are defined in private sector standards.
2. These standards complement, and often define, the specific criteria of mandatory technical regulations at the international, national, state, and local levels.
3. Private sector standards are developed in private-public sector committees composed of technical experts from all stakeholder groups – private and public sectors.
4. Alignment of requirements, for products and services across countries and regions, facilitates global market access and ensures a level playing field for companies and regulators worldwide. The practice of referencing international standards (or national adoptions of them) in laws and regulations is the most effective mechanism known to achieve cross-border compatibility of rules while at the same time, effectively protecting health, safety and the environment.
5. In the U.S., two significant policies exist which call authorities to reference private sector standards in their regulations and to participate in private-sector standards development:
  - [OMB Circular A-119](#)
  - [National Technology Transfer and Advancement Act \(Public Law 104-113\)](#)

As a result, companies, consumers and even government agencies today have the option of developing standards as a relatively low-cost first step before creating new regulations or laws.

6. As of 2007, over 6,000 U.S. laws and regulations refer to private sector standards.
7. U.S. agencies are also encouraged to use private-sector conformity assessment processes. Most federal agencies incorporate private-sector accreditation, testing and certification into their regulatory programs, helping companies demonstrate regulatory compliance in the most efficient manner.
8. The American National Standards Institute (ANSI) is the coordinator of the U.S. Standards and Conformance Systems and maintains the infrastructure under which U.S. government reliance on private-sector standards and conformance is possible.
9. ANSI is the official United States representative to the International Organization for Standardization (ISO) and, via the U.S. National Committee, the International Electrotechnical Commission (IEC). The ANSI-ASQ National Accreditation Board (ANAB) is the United States representative to the International Accreditation Forum (IAF).
10. Comprised of Government agencies, Trade Associations, Companies, Standards Developers, Academics and others, ANSI represents the interests of more than 125,000 companies and 3.5 million professionals.

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## V. Background Information on USTDA

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**Leocadia I. Zak**  
**Acting Director**

USTDA is a foreign assistance agency that interacts directly with developing and middle-income country project sponsors and delivers targeted activities that increase economic growth. Working through the U.S. private sector to implement our programs, we bring best practices and U.S. technology to bear in delivering specific, results-oriented development assistance.

In addition, USTDA programs promote capacity-building initiatives and help to advance U.S. Government trade, economic policy and development objectives around the world. Our goal is to make mutually beneficial connections between U.S. businesses and overseas project sponsors that assist countries in meeting important development goals using U.S. goods, services and technology.



# What is USTDA?

USTDA is an independent U.S. Government foreign assistance agency that is funded by the U.S. Congress.

## What are USTDA's objectives?

Our aim is a win-win scenario: promoting economic growth in developing and middle-income countries, while simultaneously helping American businesses to export their products, thereby creating jobs. In addition, USTDA supports U.S. policy objectives related to development and capacity building activities. Since 1981, USTDA has been associated with more than \$25 billion in exports—or approximately \$43 in exports for every dollar invested in our activities.

## What types of projects does USTDA support?

USTDA provides grant funding for the planning of projects that support the development of a modern infrastructure and an open trading system.

While USTDA projects span a wide variety of sectors, many focus on energy and power, transportation, mining and minerals development, telecommunications, information technology, environmental infrastructure and services, and healthcare.

## What are the requirements for USTDA funding?

USTDA evaluates projects primarily based on:

- Their priority to the project sponsors and the countries where they are located and their likelihood of receiving implementation financing;
- Whether they offer mutual economic benefit for the host country and the United States, including opportunities for commercial cooperation with U.S. firms; and
- Whether there is competition from foreign companies.

## With whom does USTDA work?

USTDA provides grants directly to overseas project sponsors who, in turn, select U.S. companies to perform USTDA-funded activities.

An overseas project sponsor is the local entity with the decision-making authority and ability to implement a project. The sponsor may be a government institution at the national, state/provincial, or local level, or it may be a local private sector company.

USTDA is open for business in more than one hundred countries around the world. In certain nations, statutory, resource and policy constraints limit the availability of USTDA programs.

## What types of activities does USTDA support?

USTDA accomplishes its mission by funding:

- 1) trade capacity building and sector development; and
- 2) project definition and investment analysis.

Trade capacity building and sector development assistance supports the establishment of industry standards, rules and regulations, trade agreements, market liberalization and other policy reform. Project definition and investment analysis involves activities that support large capital investments related to overseas development.

## Trade Capacity Building and Sector Development

### SECTOR DEVELOPMENT TECHNICAL ASSISTANCE

USTDA provides technical assistance to help with the development of sector strategies, industry standards, and legal and regulatory regimes. This assistance helps to create a favorable business and trade environment. Transportation safety and security are particularly important sectors for USTDA's technical assistance work.

### TRADE AGREEMENT SUPPORT

USTDA trade capacity building technical assistance is normally associated with the negotiation of trade agreements, and compliance with important international market access requirements. Areas of assistance may include customs processing and valuation, intellectual property rights, government procurement, technical barriers to trade, and trade in services.

### TRAINING

USTDA provides training for foreign decision-makers in economic sectors where there are opportunities for the sale of U.S. equipment and services. The training is normally focused on technology or regulatory issues and is designed to give project sponsors a better understanding of U.S. experience and capabilities. Training can be conducted in the United States and/or in the host country.

### TRADE AND INDUSTRY ADVISORS

Foreign government entities may obtain USTDA grants for trade and industry advisors. These advisors are typically located in ministries or municipalities, where they can help with capacity building activities relevant to trade regulations, standards or the import of technology and additional expertise.

## Project Definition and Investment Analysis

### FEASIBILITY STUDIES

USTDA provides grants for overseas infrastructure project planning assistance, such as

feasibility studies. These studies evaluate the technical, financial, environmental, legal, and other critical aspects of infrastructure development projects that are of interest to potential lenders and investors.

### ORIENTATION VISITS

Orientation visits bring foreign project sponsors to the United States to observe the design, manufacture, demonstration and operation of U.S. products and services that can potentially help them to achieve their development goals.

### WORKSHOPS AND CONFERENCES

USTDA organizes workshops, conferences and technical symposia worldwide. These events are sector or project oriented and connect overseas project sponsors with U.S. firms and entities that supply project finance, technology and industry expertise that may be useful in project implementation.

### PROCUREMENT ASSISTANCE

To promote project transparency and integrity, USTDA provides grants to assist in the establishment and oversight of international project



USTDA's program fosters partnerships between U.S. firms and overseas project sponsors in the pursuit of important development goals. In Vietnam, USTDA funded investment analysis and an orientation visit that led to the award of a contract to Vietstar, a wholly owned subsidiary of Lemna International of Minneapolis, Minnesota, to design, build, own and operate a waste treatment complex. Pictured here is the groundbreaking ceremony for the project.



procurement activities. Support can take the form of developing appropriate bidding procedures, assisting in the evaluation of technical proposals, and identifying potential suppliers or bidders.

### How is a project brought to USTDA for consideration?

If you are developing a project or initiative that you would like USTDA to consider for possible grant funding, you should begin by:

1. Contacting the appropriate USTDA Regional Director or Country Manager for your region (see staff listing); or,
2. Communicating with the commercial or economic officer, or USTDA representative, at the U.S. Embassy in the country where the project is located.

To formally initiate USTDA consideration of a proposal, the host country project sponsor should direct a request to USTDA. In cases where a specific U.S. company has been identified as a partner or preferred supplier on the project, the U.S. company submits a separate, detailed proposal to USTDA. There is no set deadline for proposals to be considered.

### How does the approval process work?

USTDA's due diligence review of a proposal involves two steps. First, USTDA staff conducts an internal review to determine whether the proposal represents an appropriate opportunity for USTDA support. Second, proposals that satisfy this internal analysis are independently assessed by USTDA-funded definitional mission (DM) and desk study (DS) consultants.

A DM provides a detailed evaluation of a particular proposal, involving travel to the designated region. A DS provides quick analysis of a proposal and is produced within the United States. Both DMs and DSs are carried out exclusively by small U.S. firms.

Because of the high demand for USTDA funding, not all proposals that meet USTDA funding criteria can be supported.

### How does the grant process work?

If USTDA approves funding, it signs a Grant Agreement with the foreign project sponsor. The grant recipient then signs a contract with the

U.S. company it selects to carry out the USTDA-funded activity. Both the Grant Agreement and the contract contain the terms of reference that outline the parameters of the activity.

### Is there any cost-sharing or reimbursement required?

In cases where an overseas project sponsor would like to sole source a USTDA-funded activity to a specific U.S. firm, USTDA and the U.S. firm share the cost of the activity. USTDA's contribution varies according to a number of factors, including the size of the firm, the costs the firm has incurred in developing the project, and the risks associated with the project. In addition, USTDA may require the U.S. firm to reimburse part or all of USTDA's funding if the project is implemented and the firm receives substantial economic benefit. These commitments are included in a letter agreement between USTDA and the company.

### How much money is available?

Each year, USTDA funds approximately 125 grant activities. The average USTDA grant is \$400,000.

On average, contracts to perform desk studies range from \$2,500–\$5,000 and definitional missions range from \$25,000–\$35,000.

### How can small businesses learn about opportunities from USTDA?

Competitive opportunities to perform USTDA grant funded activities are posted on the Federal Business Opportunities (FedBizOpps) website at [www.fedbizopps.gov](http://www.fedbizopps.gov).

Procurement notices for definitional missions can also be accessed through FedBizOpps. U.S. firms that wish to be considered for desk study solicitations should register on-line with USTDA's consultant database at [www.ustda.gov](http://www.ustda.gov). All firms interested in potential direct contracting opportunities with USTDA should register with the U.S. Government's Central Contractor Registration website at [www.ccr.gov](http://www.ccr.gov).

In addition, the *USTDA Pipeline*, a biweekly publication, is your best source to learn about USTDA activities and upcoming events. The *Pipeline* is available on our website at [www.ustda.gov](http://www.ustda.gov).

### What is USTDA's relationship with International Financing Institutions and Multilateral Development Banks?

USTDA maintains trust funds at a number of multilateral development banks (MDBs) and also works closely to co-finance projects outside of the use of the agency's trust fund mechanism. These funds can be used by the banks for technical assistance or feasibility studies.



Since MDBs finance many of the capital projects in the developing world, USTDA's close relationship with them is advantageous for the U.S. business community. In addition to the valuable project information that is gained through the MDBs, working on bank projects ensures that a potential funding source has been identified.

### How does USTDA work with other Trade Promotion and Commercial Development Agencies?

As a member of the inter-agency Trade Promotion Coordinating Committee, USTDA works with a wide variety of other U.S. Government agencies to support opportunities for U.S. commercial involvement overseas. USTDA learns of many viable projects from the Commerce Department's Commercial Service and the State Department's economic and commercial officers. USTDA works closely with these agencies to identify projects and gauge the likelihood of their implementation.

### How do I contact USTDA?

To contact the appropriate Regional Director or Country Manager at USTDA, you can call 703-875-4357, fax 703-875-4009, or e mail [info@ustda.gov](mailto:info@ustda.gov). Our current staff listing is available on our website at [www.ustda.gov](http://www.ustda.gov).

### Where is USTDA located?

The agency is headquartered in the Washington, D.C. area in Arlington, Virginia. In addition, USTDA has representatives in South Africa and Thailand to promote the Agency's program throughout Sub-Saharan Africa and greater Asia.

### What other U.S. Government Trade Partners can I contact?

- Overseas Private Investment Corporation  
[www.opic.gov](http://www.opic.gov)
- Export-Import Bank of the United States  
[www.exim.gov](http://www.exim.gov)
- Office of the U.S. Trade Representative  
[www.ustr.gov](http://www.ustr.gov)
- U.S. & Foreign Commercial Service  
[www.usatrade.gov](http://www.usatrade.gov)
- Millennium Challenge Corporation  
[www.mcc.gov](http://www.mcc.gov)
- U.S. Department of State  
[www.state.gov](http://www.state.gov)



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\*Contractor working for USTDA

“Cultures must preserve their unique values. Yet, everywhere — East and West, North and South — there is a model of successful development, a market economy trading with the world that respects human rights and the rule of law.

Every nation that adopts this vision will find in America a trading partner, an investor, and a friend.”

**PRESIDENT GEORGE W. BUSH**

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## **VI. MESSAGE FROM G. GANTUMUR CHAIRMAN OF THE MONGOLIAN AGENCY FOR STANDARDIZATION AND METROLOGY (MASM)**

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We, the Mongolians, are the nation with our own and unwritten standards, where, since the ancient times, we used to follow the existing standards in creating everyday life image, decoration, tools and other possessions, and even in designing nomadic shelters.

Since 1921, MASM has been developing with certain stages in accordance with the country's economic and social development policies and goals.

The overall organizational activities are regulated by the Mongolian Law on "Traceability of Measurement Uniformity" adopted in 1994 and the Law on "Standardization and Conformity assessment" revised in 2003.

Up to date after its foundation, our organization has developed with successes and duly expanded, which allowed us to perform activities in many fields of standardization and conformity assessment such as accreditation and inspection.

In the new century of globalization, as our country is walking in the same line with other countries of the world, MASM is trying to work durable, supporting country's economic progress and the society through the activities of standardization, metrology, certification, quality and inspection by increasing product competitiveness in favor of industry, trade and services, and to ensure human and animal health, environment and safety issues.

It is our great pleasure to work in cooperation with domestic, regional and international organizations and also with government and private institutions in accordance with our duties.

**GOVERNMENT REGULATORY AGENCY  
MONGOLIAN AGENCY FOR STANDARDIZATION AND METROLOGY (MASM)**

The Mongolian Agency for Standardization and Metrology (MASM) is a Government regulatory agency responsible for policy coordinating and managing of standardization, metrology, accreditation, certification, testing and quality sectors in Mongolia.

MASM continues to operate activities with 120 employees and provide professional guidance and methodology to branch offices in 20 regions.

Departments and Divisions:

- Public administration management and coordination
- Strategic planning and Policy Coordination department
- Standardization and Technical regulation department
- Measurement Standards and Legal Metrology department
- Accreditation department
- Certification department
- Training and research center

Funding:

- State budget
- Foreign and domestic projects and programme
- Science and Technology fund
- Self-financing

Basic Laws:

- Constitution of Mongolia
- Law on Standardization and Conformity Assessment, 2003
- Law on Traceability of Measurement Uniformity, 1994
- Protection of Consumer Rights, 1991

Brief History:

1924 – Weights and Measures Unit  
1931 – Commission on Measuring instruments  
1944 – Weights and Measures Division  
1953 – Bureau of Price and Standards  
1955 – Administration for Measures and measuring Instruments  
1958 – Administration for Standards, Measures and measuring Instruments  
1972 – State committee of Quality, Standards and Measures  
1975 – State Committee of Price and Standards  
1988 – State Department of Standards  
1990 – National Research Institute of Standardization and General Department Metrology bodies  
1992 – Mongolian National Center for Standardization and Metrology  
2002 – Mongolian Agency for Standardization and Metrology (MASM)

## **EXTERNAL RELATIONS**

The Mongolian Agency for Standardization and Metrology (MASM) is a full member of ISO (International Organization for Standardization) since 1979, participates in 10 ISO TCs and SC as “P” member and 75 TCs as “O” member.

### **Membership:**

- ISO – International Organization for Standardization, full member, 1979
- IRSA – Inter-Regional Standardization Association, 1997
- EAFTerm – East Asian Forum on Terminology, 1998
- IEC – International Electrotechnical Commission, joined affiliate country programme, 2000
- OIML – International organization for Legal metrology, a corresponding member, 1998
- APLMF – Asia Pacific Legal Metrology Forum, 1997
- APMP – Asia Pacific Metrology programme, 2002
- PASC – Pacific Area Standards Congress, 2002
- NCSL International – National conference of Standard Laboratories International, 2002
- APLAC – Asia Pacific laboratory Accreditation Cooperation, 2004
- ILAC – International Laboratory Accreditation Committee, 2007

### **Bilateral Cooperation:**

- KRISS – Korea Research Institute of Standards and Science
- KATS – Korean Agency for Technology and Standardization
- KSA – Korean Standards Association
- TSE – Turkish standard institute
- DSTU – The State Committee of Ukraine of Standardization, Metrology and Certification
- JSA – Japanese Standardization Association
- ASTM – American Society for Testing and Materials
- DIN – Germany Standard Institute
- CNCA – Certification and Accreditation Administration of the People’s republic of China
- Entry-Exit Inspection and Quarantine Bureau of Inner Mongolia, China
- BSMI – Bureau of standards, metrology and Inspection, Taipei, Taiwan

### **Project:**

Trade Capacity Building for Export Market access – from 2007

# LAW OF MONGOLIA

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## VII. LAW ON STANDARDIZATION AND CONFORMITY ASSESSMENT

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### CHAPTER 1

#### General provisions

##### **Article 1. Purpose of the Law**

The purpose of the law is to define legal grounds for standardization and conformity assessment and to regulate relations between the government, citizens, business entities and organizations occurred in the implementation process thereof.

##### **Article 2. Legislation on Standardization and Conformity Assessment**

**2.1** The legislation on Standardization and Conformity Assessment shall consist of the Constitution of Mongolia, the present law and other legislative acts.

**2.2** If international treaties to which Mongolia is a party provide otherwise than the Law on Standardization and Conformity Assessment, then provisions of the international treaties shall prevail.

##### **Article 3. Legal Terminologies**

The following terms in the present law shall be interpreted as follows:

**3.1.1** “**Standardization**” means an activity of establishing procedures for common and repeated use, aimed at the achievement of the interchangeability and safety of products, processes and services hereafter, “products”, as well as the uniformity of information, techniques, measurement and testing.

**3.1.2** “**Standard**” means a normative technical document, established by consensus of interested parties according to the relevant procedures and approved by an the authorized body and provides norms for specifications and requirements on products.

**3.1.3** “**Technical regulation**” hereafter, technical regulation means a document which lays down product characteristic or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory.

**3.1.4** “**Conformity assessment**” means an activity carried out in order to determine directly or indirectly that whether a product meets a given specification and standard set forth in technical regulations and relevant normative documents.

**3.1.5** “**Conformity assessment body**” means body that performs conformity assessment services (testing laboratory, certification, inspection) and that can be the object of accreditation.

**3.1.6** “**Accreditation**” means a procedure by which an authorized body determines and provides a formal recognition that body or an individual is competent to carry out specific activity.

- 3.1.7** “**Testing**” means a technical operation that determines quantitative and qualitative characteristics of a given product according to a specified procedure.
- 3.1.8** “**Assurance of Conformity**” means a procedure to provide a written assurance that a product complies with the specified requirements.
- 3.1.9** “**Certification**” means a procedure to provide a written confirmation by an independent body that a product or system complied with the specified requirements.
- 3.1.10** “**Supplier’s declaration**” means a procedure to provide a written statement by a supplier or manufacturer that its product complies with the specified requirements.
- 3.1.11** “**Technical inspection**” means an activity of the examination of a product design, product, service, process or plant and determination of their conformity with specific requirements or, on the professional judgment, general requirements.

## **CHAPTER TWO**

### **Standardization and Technical Regulation**

#### **Article 4. Purpose and Principles of Standardization**

- 4.1** The purpose of standardization is to protect public interest, human health, the environment and security of the nation and enhance the compatibility of products, as well as to ensure proper usage of all types of resources and interchangeability of products, uniformity of testing and measurement.
- 4.2** The following principles shall be observed in standardization:
- 4.2.1** Equal participation of the government, producers and consumers;
  - 4.2.2** Compliance with social interests;
  - 4.2.3** To be independence, sovereign;
  - 4.2.4** The standards shall be based on latest scientific and technological achievements and contain concise and coherent contents;
  - 4.2.5** The development process of the national standards shall be based on related international standards;
  - 4.2.6** The standards shall not be such that creates unnecessary obstacles to the trade and manufacturing;
  - 4.2.7** The standarts shall be based on consuming and utilization characteristics of products;
  - 4.2.8** Not to include requirements and specefications which are not in compliance with the legislation.

#### **Article 5. Documents of Standardization**

- 5.1** The following documents shall be included into standardization documents:
- 5.1.1** Mongolian hereafter, “national” standards;

- 5.1.2 Standards, methodologies and instructions, specified in Articles 8.1 and 8.2 of the present law, and directives, guides and recommendations issued by the international and regional standardization bodies;
- 5.1.3 Company standards.

**Article 6. National Standards**

- 6.1 The specifications and requirements of national standards should meet the requirements of international, regional and foreign advanced standard.
- 6.2 The national standards which are established in order to protect the human health, environment and security of the nation shall be mandatory.
- 6.3 The national standards other than those which are specified in Subparagraph 2 of this Article shall be voluntary.
- 6.4 The national standards shall not be subject matters of copyrights.
- 6.5 The National Council of Standardization shall approve and adopt the standards as national to use within the territory of the country after being reviewed and accepted by the standardization technical committee.
- 6.6 A national standard shall have an abbreviated mark and number of the state registry and shall become valid from the date when the state registration date has been publicly announced unless the decision which approved it provides otherwise.
- 6.7 Business entities and organizations may refer to the use of national standards relevant to documents of their contracts.

**Article 7. Technical Committee**

- 7.1 The National Council of Standardization shall establish the standardization technical committee /hereafter, “technical committee”/ which is an amateur body, with purpose to develop, review and draw conclusion on a draft of national or international standards, and with composition including representatives from the government, citizens, business entities, and scientific and other organizations.
- 7.2 The technical committee shall enjoy the following rights and duties:
  - 7.2.1 To get comments and proposals on the draft of standards and negotiate with the interested parties;
  - 7.2.2 To provide comments and conclusions to the other international, regional and national draft standards;
  - 7.2.3 To establish a technical subcommittee, and develop draft standards;
  - 7.2.4 To review standards, conduct research and surveys, and develop a project for related activities;
  - 7.2.5 Not to represent interests of another body;
  - 7.2.6 To assure the compliance content of standards, submitted for adoption, and level of its maturity with relevant requirements.

## **Article 8. Company Standard**

- 8.1** Business entities and organizations may formulate and apply company standards.
- 8.2** Company standards shall not contradict to the specifications and requirements of national standards and technical regulations.
- 8.3** Business entities and organizations shall be responsible for formulation and adoption of company standards as well as for registration of them with aimag's and capital city's standardization body.
- 8.4** Company standard shall have an abbreviated mark and a territorial registration number and shall become valid from the registered date unless it was provided otherwise in the adopted documents.
- 8.5** It shall be prohibited to carry out manufacturing or providing service according to company standards which do not satisfy requirements set forth in Article 8.2.

## **Article 9. Application of Standards**

- 9.1** Business entities and organizations shall apply upon registration of them with the central Standardization body, international, regional or foreign advanced standards, which are not contradictory to the legislation and the rights of consumers or producers, and which are not harmful to the human health, the environment and the security of nations.
- 9.2** The central standardization body shall provide temporary permissions (up to one year) to business entities and organizations, which possess a new technology or products, to apply standards, methodologies and instructions other than those specified to be used in Mongolia.
- 9.3** It is prohibited to copy and duplicate the national standards, to apply other standards than those specified in 6.5 and 9.1 and 9.2 article of the present law, and to use abbreviated marks to the product which are not in compliance with the requirements.
- 9.4** If the standards, specified in Article 6.3 of the present law, are referred in Government resolutions and technical regulations, they shall serve as mandatory standards.

## **Article 10. Technical Regulation**

- 10.1** Technical regulations shall be exercised in order to ensure the safety of products, which may harm the public interests, the human health, the environment or security of nations, and to prevent from supply of deceptive products into the market.
- 10.2** The technical regulations shall be approved by the Government Cabinet.
- 10.3** The central body in charge of standards issues shall review and draw conclusion on draft technical regulations.
- 10.4** The government shall invalidate or make amendments to the technical regulations if the circumstances, which were grounds to apply the technical regulation, have changed.

- 10.5** The Government Cabinet member in charge of trade issues shall exercise the power to accept domestically the technical regulations, proposed by the member countries of the World Trade Organization (WTO) to apply in international trade.
- 10.6** The central body in charge of standard issues shall inform other members of the WTO in advance of not less than three months before the adoption of the technical regulations, proposed by the member countries of the WTO.

**Article 11. Information**

- 11.1** The central standardization body shall run an Information and Inquiry Center.
- 11.2** The Information and Inquiry Center shall have a national database, consisting of originals or copies of international treaties and agreements, international, regional, foreign and national standards, technical regulations, directives, guidelines, recommendations, conformity assessment procedures and other relevant normative-technical documents related to the products.
- 11.3** The Information and Inquiry Center shall serve as a public information resource and provide services of concentrating, receiving, registering, maintaining, protecting, informing, printing and selling of documents specified in subparagraph 2 of this Article.
- 11.4** The Information and Inquiry Center shall serve the public with true and reliable information.

**CHAPTER THREE**

**Conformity Assessment**

**Article 12. Purposes, Types and Principles of Conformity Assessment**

- 12.1** The purpose of conformity assessment is to enhance consumer's confidence in products, help [them] to make right choice, protect consumers from deceptive activities and upgrade compatibility of products.
- 12.2** Conformity assessment shall have the following types: accreditation, testing, certification and technical inspection.
- 12.3** The following principles shall be observed in conformity assessment:
- 12.3.1** To be independent and sovereign;
  - 12.3.2** To be fair, impartial and practical;
  - 12.3.3** To offer equal conditions to all requesting parties;
  - 12.3.4** To be transparent and accessible;
  - 12.3.5** To protect confidentiality of information of the requesting parties.
- 12.4** Conformity assessment shall be carried out on the basis of standards, technical regulations and relevant normative-technical documents.
- 12.5** The conformity assessment body shall employ skilled experts who have professional experience for not less than 3 years and specialized in the given area.

**12.6** The conformity assessment body shall be responsible for delivering incorrect assessments according to the laws.

**Article 13. Accreditation**

**13.1** Testing, certification and inspection bodies may be a subject of the accreditation.

**13.2** The entities referred in the 1st part of the present article to conduct testing, certification and inspection of products that may cause harms to the human health, the environment or the security of nations shall be subject of the accreditation.

**13.3** At the national level, the accreditation shall be performed by the central standardization body.

**13.4** The accreditation system shall consist of activities of the accreditation body, the accreditation technical committees and the dispute settlement committee.

**13.5** An amateur expert may be hired for accreditation on the contractual basis.

**13.6** The accreditation organization shall exercise the following powers:

**13.6.1** To issue accreditation certificates on the basis of conclusions provided by accreditation committee;

**13.6.2** To set up technical accreditation committees, approve their charters, and coordinate their activities;

**13.6.3** To maintain state registry of the accredited testing, certification and inspection bodies;

**13.6.4** To conduct surveillance operation at the accredited testing, certification and inspection bodies;

**13.6.5** To reduce the scope, established by the accreditation, suspend or withdraw the accreditation, if the accredited testing, certification and inspection bodies have been found not being complying with the relevant requirements and criteria.

**13.7** The accreditation experts shall enjoy the following rights and duties:

**13.7.1** To inspect whether testing laboratories, certification and inspection bodies are meeting the established requirements and criterias on the ground;

**13.7.2** Not to express personal assessment and opinions before delivery of the final conclusion by the accreditation body;

**13.7.3** To refuse to be participated in the accreditation process for a requesting body if he or she cooperates with the requesting body through employment or other contracts.

**13.8** The accreditation technical committee shall operate on a part-time basis including representatives of the government, business entities, scientific and other organizations.

**13.9** The accreditation technical committee shall enjoy the following rights and duties:

**13.9.1** To provide conclusion on whether an organization for accreditation complied with the accreditation requirements and criteria;

**13.9.2** Not to disclose or distribute technological and/or commercial information and materials, which have been known in course of the accreditation.

- 13.10** Any complaints or disputes arisen between the parties in relation to the accreditation shall be settled by the Dispute settlement committee.
- 13.11** The Dispute Settlement Committee shall be composed of 5 members representing the government and scientific organizations, consumers and the central standardization body.
- 13.12** The composition and charter of the Dispute Settlement Committee shall be approved by the Government Cabinet member in charge of standardization issues.
- 13.13** In making decisions, the Dispute Settlement Committee shall observe the principles of being independent and free of conflicts of interests.
- 13.14** An accredited organization shall enjoy the following rights and duties:
- 13.14.1** To perform conformity assessment within the scope established by the accreditation;
  - 13.14.2** To settle disputes arisen between unaccredited organizations within the scope established by the accreditation;
  - 13.14.3** To satisfy accreditation criteria and abide relevant rules, procedures and instructions;
  - 13.14.4** To avoid to use the reputation of accreditation for inappropriate purposes;
  - 13.14.5** In the case of change in organizational scheme, jurisdiction, directions and technical supply of operation, inform the organization referred to in Article 13.6 of the present law within 14 days.

#### **Article 14. Testing Laboratory**

- 14.1** A testing laboratory, which meets the following requirements shall be accredited:
- 14.1.1** Testing laboratories shall have circumstances to produce results of testing independently from manufacturer, retailer and inspection body in management and financial terms;
  - 14.1.2** To carry out testing according to standards and procedure approved by the authorized body, and possess verified high performance equipment;
  - 14.1.3** To possess enough materials related to standards, procedure, test method, and certified reference materials and other materials required for testing;
  - 14.1.4** To satisfy the circumstance for testing in accordance with the relevant standards;
  - 14.1.5** To possess a manual on quality matters enabling the correctness and reliability of the testing results.
- 14.2** Testing laboratories can be in the following types: verification and, calibration of measuring instruments, product testing and diagnosis laboratories.
- 14.3** The testing laboratories shall produce results of their testing on independent basis.
- 14.4** The testing laboratories shall be checked their competency to perform testing by the accredited body to carry out proficiency testing not less than one time per year.

#### **Article 15. Assurance of Conformity**

- 15.1** The Assurance of Conformity shall have two types: certification and supplier's declaration.

- 15.2** Producers or suppliers may provide the supplier's declaration for their products.
- 15.3** The supplier's declaration may be accepted by the certification bodies. The accepted supply's declarations shall be valid as the certificate of conformity referred to in Article 16.4 of the present law.

**Article 16. Certification**

- 16.1** Manufacturers of products that may be harmful to public interests, health and safety of human being, the environment and the security of nations shall be certified on mandatory basis within 3 months after the launch of manufacturing process.
- 16.2** The Government Cabinet shall approve the list of the products referred to in subparagraph 2 of this Article, and procedures to supply to Mongolia's market, as well as to cross and inspect at the borders in relation to them.
- 16.3** Business entities and organizations may, on the voluntary basis, cover their products other than those specified in subparagraph 2 of this Article, as well as the on quality and environmental management systems and personal by certification.
- 16.4** A certification organization shall issue a certificate on allowing to use a national mark conformity /hereafter, "certificate of conformity"/ to a product of a foreign and domestic business entity and organization which is qualified for certification in accordance with the relevant procedures.
- 16.5** The certification organization may establish contracts with the accredited testing and technical inspection bodies in order to use results of their testing and inspection.
- 16.6** The issuance of the certificate of conformity shall not exempt business entities or organizations from liabilities if they have produced and/or sold low standard products which caused damages to consumers.
- 16.7** Results of testing carried out by international, regional and foreign testing laboratories on products to be imported to Mongolia, and certificates of conformity issued by the certification organization shall be accepted by the central standardization body.
- 16.8** For supplying, exportation and importation of products which are accepted under subparagraph 7 of this Article and have a national mark of conformity shall not be covered by supervision and certification again.
- 16.9** The certificate of conformity shall be issued for not less than three years considering technological sustainability and management structure of the business entity or organization.
- 16.10** The certificate of conformity shall include the title of the business entities and organizations which has passed and carried out the certification, the numbers of the standard and the technical regulation, and about the impact to the public interest, human health, the environment, national security by the products.
- 16.11** The certificate of conformity shall be valid within territory of Mongolia.
- 16.12** The standardization central body shall carry out certification, deliver the national marks of conformity and register into the state registration.

- 16.13** The certification body, referred in the 16.1 of the present law shall exercise the following rights and duties.
- 16.13.1** To carry out certification according to the certification scheme;
  - 16.13.2** To issue and withdraw a certificate of conformity and register the suppliers statement;
  - 16.13.3** To monitor over the products which were certified;
  - 16.13.4** To inform the customer's office and the State specialized inspection body about the decision referred in 16.32.2 of the present law;
  - 16.13.5** If it is considered necessary to request other relevant bodies to provide an evaluation confirming that there is nor harm to public interests, human health, the enviroment and the security of the nation;
  - 16.13.6** To get invoved in the process of certification the skilled experts.
- 16.14** The following common requirements shall be observed when products refered in 16.1 of the present law pass the state boundary.
- 16.14.1** To incorporate a term into trade agreements contracts to supply products with conformity assurance.
  - 16.14.2** Not to allow to pass through the boundry products without certificate of conformity or similar official documents.
- 16.15** If the trade contracts and agreements has specified to supply products and other goods with a certificate of conformity, then the 16.14.2 of thge present law shall be applied for passing through the state boundary.
- 16.16** Experts in order to carry out certification to products according to 16.1 of the present law shall exercise certain rights and duties including to enter business entities, to get access to information and other documents, to utilize necessary equipment, to have sample of products and to inform the relevant bodies about the revealed misconducts.

**Article 17. Technical inspection**

- 17.1** The technical inspection shall have two forms such as producer's and third party's inspection.
- 17.2** The technical inspection body shall issue opinions on whether a product, its design and manufacturing, service, process and plant and criteria for normal functioning and safety work are incompliance with requirements specified by the standards.
- 17.3** The technical inspection body shall create the working condition and provide all necessary equipment for experts to conduct technical inspection as specified in Article 12.5 of the present law.
- 17.4** The technical inspection shall be carried out by accredited inspection body and their authorized professional experts in the given subject.

**CHAPTER FOUR**

**Organization to Perform Standardization and Conformity Assessment**

**Article 18. Full Power of State Central Administrative Bodies**

**18.1** The state central administrative bodies shall exercise the following powers:

**18.1.1** To incorporate and implement the technical policies and trends of the respective sectors through standardization.

**18.1.2** To enclose representatives in standardization activities of their own respective sectors or subject.

**18.1.3** To take measures to strengthen testing laboratories in their respective sectors and upgrade their technical levels.

**18.1.4** To deliver standards, adopted by the international standardization and other organizations in their respective sectors to the organization, referred to Article 11.1.

**Article 19. Powers of Governors of Aimags and the Capital City**

**19.1** Governors of aimag and the capital city have the following power:

**19.1.1** To organize the implementation of the Law on Standardization and Conformity Assessment at the respective territories.

**19.1.2** To render support and assistance to strengthen testing laboratories and certification organizations, upgrade their technical levels, take measures to have them accredited.

**Article 20. National Council of Standardization**

**20.1** The National Council of Standardization (hereafter, “The National council”) shall consist of representatives from the relevant government, non-government and scientific organizations and business entities.

**20.2** The National Council shall enjoy the following full power:

**20.2.1** To adopt or withdraw national standards and standardization programs.

**20.2.2** To approve rules, procedures and guides related to standardization and conformity assessment.

**20.2.3** To set up technical committees for standardization, approve their charters.

**20.3** The Government Cabinet shall enjoy the power to establish the National Council including to appoint or dismiss its members.

**20.4** The National Council shall be chaired by the Chairman of the Central Standardization body.

**Article 21. System of Standardization Body**

**21.1** The system of the standardization body shall consist of the central/national and local standardization bodies.

**21.2** Organizational structure of the central standardization body shall be determined by the Cabinet member in charge of standardization issues.

## **Article 22. National Standardization Body**

- 22.1** The national standardization body shall be a state administrative organization in charge of standardization and conformity assessment issues at national level.
- 22.2** The national standardization body shall enjoy the following power:
- 22.2.1** To develop state policy, programs and projects on standardization and conformity assessment, present them to the authorized body for decision, and take organizational measures to ensure their enforcement.
  - 22.2.2** To carry out scientific and technological survey and research on standardization and conformity assessment issues.
  - 22.2.3** To develop rules, procedures and instructions on issues which fall under its jurisdiction, render informative and methodological assistance to relevant organizations, and provide with specialized management.
  - 22.2.4** To coordinate operations between technical committees on standardization.
  - 22.2.5** To carry out activities, services and training upon requests by business entities and organizations with payment according to contracts established with them.
  - 22.2.6** To become a member of the international organizations in respective field or subject, to promote cooperation with relevant international, regional or foreign country's organizations, to accept mutually results of conformity assessment.
  - 22.2.7** To establish certification units at the customs office.
  - 22.2.8** To take measures in order to achieve acceptance from the international or regional organizations for the organizations which conduct certification, testing and verification, technical inspection.
- 22.3** NGOs may implement duties to conduct training and provide methodological assistance and advice on the standardization and conformity assessment issues on the contractual basis.
- 22.4** The Chairman of the central standardization body shall, upon agreement with an appropriate governor, appoint or dismiss management officials of aimags' and city's standardization bodies.
- 22.5** The charter of the central standardization body shall be approved by the Government Cabinet.

## **Article 23. Full Power of Local Standardization Body**

- 23.1** Governors of aimags and the capital city shall set up and operate standardization bodies of aimags and the capital city.
- 23.2** Standardization bodies of aimags and the capital city shall have the following power:
- 23.2.1** To implement activities set forth in Articles 22.2.3, 22.2.5, 22.2.7 of the present law in their respective territories;
  - 23.2.2** To organize activities to give methodological advice on the formulation of standards, keep the registers of organization standards;
  - 23.2.3** To set up and operate branches of the Information and Inquiry Center in local areas;
  - 23.2.4** To conduct testing and certification in conformity with the present law.

**Article 24. Rights and Duties of Business Entities and Citizens**

- 24.1** Business entities and organizations shall enjoy the following rights and duties:
- 24.1.1** To fulfill the specifications and requirements specified in standards and technical regulation;
  - 24.1.2** To finance formulation of standards on own products;
  - 24.1.3** To ensure the quality and safety of products;
  - 24.1.4** To take products, specified in Article 16.1 of the present law to certification within the due period, be take a burden for related expenses;
  - 24.1.5** To introduce common and advanced management methods as well as quality and environmental management systems in order to enhance the quality of own products;
  - 24.1.6** To extend its representation in the operations of technical standardization committees, where necessary;
  - 24.1.7** To bring knowledge to its employees on standards and methodology related to improvement of the production technology and manufacturing of new products;
  - 24.1.8** To provide state specialized inspection inspectors with working conditions, information and technical devices to ensure their smooth operation.

**Article 25. State Specialized Inspection Over Standardization and Conformity Assessment**

- 25.1** The state specialized inspection over standardization and conformity assessment shall be carried out by central and local organizations in charge of implementing specialized inspection at state level.
- 25.2** The state specialized inspection shall cover the following items:
- 25.2.1** Implementation of the legislation on standardization and conformity assessment, national mandatory standards and technical regulations;
  - 25.2.2** Assurance of certification of the products specified in Article 16.1 of the present law;
  - 25.2.3** Assurance of compliance of the purpose and the quality character of products with their packages, labels, marks and other information.
- 25.3** The state inspectors shall be involved in training on standardization and conformity assessment to carry out inspection specified in subparagraph 2 of this Article.
- 25.4** The state inspectors on standardization inspection to carry out specialized inspection on standardization and conformity assessment shall be appointed and dismissed in accordance with subparagraph 4 of Article 10 of the Law on State Supervision and Inspection.
- 25.5** The state inspectors on standardization inspection shall enjoy the following full power in addition to those set forth in the Law on State Supervision and Inspection:
- 25.5.1** To prohibit to retail products, if technical regulations were violated; to suspend or terminate operations, if producing and rendering of services were carried out in inappropriate conditions; to destroy the products under relevant procedures, if it is considered necessary;
  - 25.5.2** To carry out supervision in a fair manner without being influenced by others, strictly keep confidentiality of production and technology related secrets of business entities and organizations;

- 25.5.3 To issue decisions to partially or completely terminate production operation /method/ and usage, in the case if a violation can not be eliminated by other means;
  - 25.5.4 To be fully responsible for accuracy of acts, penalties, decisions and official demands, which it issued on results of inspection.
- 25.6 The state inspectors on standardization inspection shall be prohibited from the following actions:
- 25.6.1 To represent interests of a citizen, a business entity or an organization, to deliver decisions favoring them;
  - 25.6.2 To disclose results of inspection and secrets of individuals, business entities and organizations;
  - 25.6.3 To carry out duties of experts for accreditation, certification and technical inspection at the same time.
- 25.7 The specialized inspection organization may, upon information provided by citizens, carry out inspections on products that may cause adverse effects on public interest, human life and health, the environment and the national security. Citizens who provided correct and exceptionally important information, can be remunerated or the information can be purchased in accordance with the procedures set by the Government Cabinet.

## **CHAPTER FIVE**

### **Miscellaneous**

#### **Article 26. Financing of Standardization and Conformity Assessment**

- 26.1 The expenses related to the implementation of powers set forth in the present law by the central and local standardization bodies, the expenses related to the operations of the National Council of Standardization, Technical Committees on Standardization and Accreditation and the Accreditation Dispute Settlement Committee as well as membership fees to the international organizations shall be financed from the central state budget. The operation expenses specified in Article 22.2.2. of the present law shall be financed through the scientific and technological fund. Other expenses shall be financed through revenues from charged works and services carried out by the respective organization on behalf of the government.
- 26.2 The model payment for works and services specified in Article 13.2, 16.1 and 22.2.5 of the present law shall be set jointly by the Government Cabinet members in charge of standardization, and budget and finance issues.

#### **Article 27. Sanctions for Violators of the Law on Standardization and Conformity Assessment**

- 27.1 If a violation of the Law on Standardization and Conformity Assessment doesn't constitute a criminal offense, a judge or a state inspector on standardization inspection shall impose the following sanctions:
- 27.1.1 For providing false information and declarations that were necessary for implementation of state specialized inspection of standardization and conformity assessment or for failing to fulfill obligations assigned by the state inspector of standardization in due time, a citizen shall be subject to a fine of Tg 20000-40000,

but an official person shall be fined for Tg 50000-60000, a business entity or organization shall be fined for Tg 200000-250000;

- 27.1.2** An accredited testing laboratory, certification and technical inspection bodies shall fine a business entity or organization for Tg 150000-200000 for intentionally providing incorrect results of conformity assessment;
  - 27.1.3** For a breach of Articles 6.2 and 7.5 of the present law and for a failure to cover the products specified in Article 16.1 by certification within a due period of time, a citizen shall be subject to a fine of Tg 10000-20000, and a business entity or organization shall be fined for Tg 50000-100000;
  - 27.1.4** A business entity or organization shall be subject to a fine of Tg 100000-150000 for performing testing, certification and technical inspection in violation of Article 13.2 of the present law;
  - 27.1.5** An accredited organization shall confiscate the illegally obtained profits from such activities and shall fine a business entity or organization for Tg 100000-150000 for carrying out its operation by way of abusing powers, set forth in Article 13.14.1 of the present law;
  - 27.1.6** For violating Article 9.3 of the present law, or intentionally increasing quality classification or degree of products, or for illegally using national standard marks and conformity assessment results, the illegally obtained profits from such activities shall be confiscated and a citizen shall be subject to a fine of Tg 20000-40000, an official shall be fined for Tg 30000-50000 and a business entity and organization shall be fined for Tg 150000-200000.
- 27.2** For abusing delegated powers or for misusing properties allocated for implementation of state supervision, state inspectors on standardization inspection shall be subject to liabilities under relevant legislation.
- 27.3** For causing impediment, refusing, threatening or causing harm to the health of state inspectors on standardization inspection, guilty persons shall be subject to liabilities.
- 27.4** Interested parties may, in accordance with relevant legislation, sue for compensation of material damages by guilty persons caused to others by violating the Law on Standardization and Conformity Assessment.
- 27.5** Disputes concerning decisions on imposing of liabilities, issued by state inspectors on standardization inspection to persons who violated the Law on Standardization and Conformity Assessment that shall be resolved by the court.

## **Article 28. Effective Date of the Law**

- 28.1** The present law shall come into effect on 01 September 2003

# Mongolia



## VIII. BACKGROUND INFORMATION ON MONGOLIA

*Excerpt from Background Note: Mongolia; Published by the Bureau of East Asian and Pacific Affairs of the U.S. Department of State 2007; Access the complete document at: <http://www.state.gov/r/pa/ei/bgn/2779.htm>*

### Geography

Area: 1,566,500 sq. km. (604,103 sq. mi.)

Terrain: Almost 90% of land area is pasture or desert, of varying usefulness; 1% arable; 9% forested

Climate: Continental, with little precipitation and sharp seasonal fluctuations

### People

Population (2006 est.): 2.56 million

Annual growth rate (2005): 1.16%

Life expectancy: 65.21 yrs.

Ethnic groups (2004): 85% Mongol (predominantly Khalkha), 7% Turkic (largest group, Kazakh) 4.6% Tungusic, and 3.4% others, including Chinese and Russian

Languages: Mongolian, Kazakh, Russian, and English

Religions: Tibetan Buddhist Lamaism 94%, Muslim 6% (primarily in the southwest), and Shamanism

Education: Years compulsory-8 (provided free by the government). Literacy-more than 90%

## GOVERNMENT AND POLITICAL CONDITIONS

Until 1990, the Mongolian Government was modeled on the Soviet system; only the communist party--the MPRP--officially was permitted to function. After some instability during the first two decades of communist rule in Mongolia, there was no significant popular unrest until December 1989. Collectivization of animal husbandry, introduction of agriculture, and the extension of fixed abodes were all carried out without perceptible popular opposition.



The birth of perestroika in the former Soviet Union and the democracy movement in Eastern Europe were mirrored in Mongolia. The dramatic shift toward reform started in early 1990 when the first organized opposition group, the Mongolian Democratic Union, appeared. In the face of extended street protests in subzero weather and popular demands for faster reform, the politburo of the MPRP resigned in March 1990. In May, the

constitution was amended, deleting reference to the MPRP's role as the guiding force in the country, legalizing opposition parties, creating a standing legislative body, and establishing the office of president.

Mongolia's first multi-party elections for a People's Great Hural were held on July 29, 1990. The MPRP won 85% of the seats. The People's Great Hural first met on September 3 and elected a president (MPRP), vice president (SDP--Social Democrats), prime minister (MPRP), and 50 members to the Baga Hural (small Hural). The vice president also was chairman of the Baga Hural. In November 1991, the People's Great Hural began discussion on a new constitution, which entered into force February 12. In addition to establishing Mongolia as an independent, sovereign republic and guaranteeing a number of rights and freedoms, the new constitution restructured the legislative branch of government, creating a unicameral legislature, the State Great Hural (SGH).

The 1992 constitution provided that the president would be elected by popular vote rather than by the legislature as before. In June 1993, incumbent Punsalmaagiyn Ochirbat won the first popular presidential election running as the candidate of the democratic opposition.

As the supreme government organ, the SGH is empowered to enact and amend laws, determine domestic and foreign policy, ratify international agreements, and declare a state of emergency. The SGH meets semiannually for 3-4 month sessions. SGH members elect a chairman and vice chairman who serve 4-year terms. SGH members are popularly elected by district for 4-year terms.

The president is the head of state, commander in chief of the armed forces, and head of the National Security Council. He is popularly elected by a national majority for a 4-year term and limited to two terms. The constitution empowers the president to propose a prime minister, call for the government's dissolution in consultation with the SGH chairman, initiate legislation, veto all or parts of legislation (the SGH can override the veto with a two-thirds majority), and issue decrees, which become effective with the prime minister's signature. In the absence, incapacity, or resignation of the president, the SGH chairman exercises presidential power until inauguration of a newly elected president.

The government, headed by the prime minister, has a 4-year term. The prime minister is nominated by the president and confirmed by the SGH. Under constitutional changes made in 2001, the president is required to nominate the prime ministerial candidate proposed by a party or coalition with a majority of members of the SGH. The prime minister chooses a cabinet, subject to SGH approval. Dissolution of the government occurs upon the prime minister's resignation, simultaneous resignation of half the cabinet, or after an SGH vote for dissolution.

Local hurals are elected by the 18 aimags (provinces) plus the capital, Ulaanbaatar, and cities of Darhan and Erdenet. On the next lower administrative level, they are elected by provincial subdivisions and urban subdistricts in Ulaanbaatar and the municipalities, Darkhan and Erdenet.

## **ECONOMY**

Economic activity in Mongolia has traditionally been based on herding and agriculture. Mongolia has extensive mineral deposits; copper, coal, molybdenum, tin, tungsten, and gold account for a large part of industrial production. Soviet assistance, at its height one-third of GDP, disappeared almost overnight in 1990-91 at the time of the dismantlement of the U.S.S.R., leading to a very deep recession. Economic growth returned due to reform embracing free-market economics and extensive privatization of the formerly state-run economy.

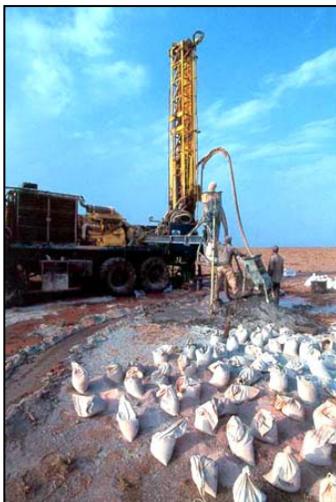
Severe winters and summer droughts in 2000-2001 and 2001-2002 resulted in massive livestock die-off and anemic GDP growth of 1.1% in 2000 and 1% in 2001. This was compounded by falling prices for Mongolia's primary-sector exports and widespread opposition to privatization. Growth improved



to 4% in 2002, 5% in 2003, 10.6% in 2004, and 6.2% in 2005. Much of the growth was due to high copper prices and new gold production. Other than agriculture (21.7% of GDP), dominant industries in the composition of GDP are mining 20.4%, trade and service 24.8% and transportation, storage, and communication 12.2%. Mongolia's economy continues to be heavily influenced by its neighbors. For example, Mongolia purchases 80% of its petroleum products from Russia. China is Mongolia's chief export partner and a main source of the "shadow," or "gray" economy. The gray economy is estimated to be at least one-third the size of the official economy. The actual size of this gray--largely cash--economy is difficult to calculate since the money does not pass through the hands of tax authorities or the banking sector. Remittances from Mongolians working abroad, both legally and illegally, constitute a sizeable portion. Money laundering is growing as an accompanying concern. Mongolia settled its large debt to Russia at the end of 2003 on favorable terms. Mongolia, which joined the World Trade Organization in 1997, is the only member of that organization to not be a participant in a regional trade organization. Mongolia seeks to expand its participation and integration into Asian regional economic and trade regimes.

Because of Mongolia's remoteness and natural beauty, the tourism sector has recently shown signs of rapid growth. With spiking international commodity prices, there has been a surge of international interest in investing in Mongolia's minerals sector despite the absence of a policy environment firmly conducive to private investment. How effectively Mongolia mobilizes private international investment around its comparative advantages (mineral wealth, small population, and proximity to China and its burgeoning markets) will ultimately determine its success in sustaining rapid economic growth. Parliament passed a windfall profits tax on copper and gold that took effect in mid-2006, and major amendments to the minerals law allowing the government to take an equity stake in major new mines. It is unknown what effect these laws will have on mining activities in Mongolia, although major potential investors expressed considerable concern about the changes.

Parliament in 2006 passed four new tax laws: personal and corporate income, value-added and excise, intended to reduce the overall tax burden on taxpayers and stimulate the economy. Most provisions of the new laws took effect January 1, 2007. No projections of the economic effects are currently available.



Real GDP growth has averaged 7 percent since 2002, aided by sharp increases in copper and gold prices and a recovery of livestock herds after three devastating winters. As incomes have grown, the expansion has spilled over to other sectors of the economy, including construction, financial services, and the retail sector. After a brief upward spike in 2005, inflation has been brought back down to the mid-single digits, and the budget and external current account balances have moved into surplus. International reserves, which were heavily drawn down in late 2003 in connection with the settlement of Mongolia's pre-1991 debt to Russia, have been reconstituted to more comfortable levels. Near-term economic prospects remain favorable, with growth likely to be sustained by still-high minerals prices and large-scale foreign investment in a major new mining project. Despite these significant achievements, poverty remains high (36 percent), and much remains to be done to achieve the Millennium Development Goals.

In terms of foreign trade, for the first 11 months of 2006, total external trade turnover equaled 2713.8 mln. US dollars, of which exports 1377.4 mln. US dollars and imports 1336.4 mln. US dollars. Total external trade balance turned a surplus of 41.0 mln. US dollars. This surplus provided by increasing of copper market price and volume of creazy cashmere, tops of cashmere, etc. As compared with the same period of the previous year, total external trade turnover increased by 39.6 percent, exports by 53.3 percent and imports by 27.8 percent respectively.

## U.S.-MONGOLIAN RELATIONS

The U.S. Government recognized Mongolia in January 1987 and established its first embassy in Ulaanbaatar in June 1988. It formally opened in September 1988. The first U.S. ambassador to Mongolia, Richard L. Williams, was not resident there. Joseph E. Lake, the first resident ambassador, arrived in July 1990. Secretary of State James A. Baker, III visited Mongolia in August 1990, and again in July 1991. Mongolia accredited its first ambassador to the United States in March 1989. Secretary of State Madeline Albright visited Mongolia in May 1998, and Prime Minister Enkhbayar visited Washington in November 2001. Deputy Secretary of State Richard L. Armitage visited Mongolia in January 2004, and President Bagabandi came to Washington for a meeting with President Bush in July 2004. President Bush, Mrs. Bush, and Secretary of State Condoleezza Rice visited Mongolia in November 2005. Defense Secretary Rumsfeld visited in October 2005 and Speaker of the House of Representatives Dennis Hastert visited Mongolia in August 2005. Agriculture Secretary Johanns led a presidential delegation in July 2006 in conjunction with Mongolia's celebration of its 800th anniversary.



The United States has sought to assist Mongolia's movement toward democracy and market-oriented reform and to expand relations with Mongolia primarily in the cultural and economic fields. In 1989 and 1990, a cultural accord, Peace Corps accord, consular convention, and Overseas Private Investment Corporation (OPIC) agreement were signed. A trade agreement was signed in January 1991 and a bilateral investment treaty in 1994. Mongolia was granted permanent normal trade relations (NTR) status and generalized system of preferences (GSP) eligibility in June 1999. In July 2004, the U.S. signed a Trade and Investment Framework Agreement with Mongolia to promote economic reform and more foreign investment.

The U.S. Agency for International Development (USAID) plays a lead role in providing bilateral American assistance to Mongolia. The program emphasizes two main themes: sustainable, private sector-led economic growth; and more effective and accountable governance. Total USAID assistance to Mongolia from 1991 through 2005 was about \$150 million, all in grant form. About two-thirds of USAID Mongolia's current (2006) budget of \$7.5 million a year promotes economic growth, and focuses on macroeconomic policy reform, energy sector commercialization, financial sector reform, strengthening the cashmere and tourism industries, and providing business development services to small and medium enterprises in both rural and urban areas. The other third focuses on judicial sector reform, electoral reform, parliamentary reform, and anti-corruption work.

In most years since 1993, the United States Department of Agriculture has provided food aid to Mongolia under the Food for Progress and 416(b) programs. The monetized proceeds of the food aid (\$3.7 million in 2005) are currently used to support programs bolstering entrepreneurship, herder diversification, better veterinary services, and disaster relief. The United States has also supported defense reform and an increased capacity by Mongolia's armed forces to participate in international peacekeeping operations. Mongolia has contributed small numbers of troops to coalition operations in Iraq and Afghanistan since 2003, gaining experience which enabled it to deploy armed peacekeepers to both UN and NATO peacekeeping missions in 2005. With U.S. Department of Defense assistance and cooperation, Mongolia and the U.S. jointly hosted "Khan Quest 06," the Asian region's premier peace-keeping exercise in 2006.

The Peace Corps currently has over 100 Volunteers in Mongolia. They are engaged primarily in English teaching and teacher training activities. At the request of the Government of Mongolia, the Peace Corps has developed programs in the areas of public health, small business development, and youth development.

## IX. Doing Business in Mongolia 2006: A Country Commercial Guide for U.S. Companies

*Excerpted and adapted from the 2006 Mongolia Country Commercial Guide (CCG); Published by the U.S. Foreign and Commercial Service (FCS); Access the complete publication at: [http://mongolia.usembassy.gov/2006\\_country\\_commercial\\_guide.html](http://mongolia.usembassy.gov/2006_country_commercial_guide.html)*



- [Chapter 1: Doing Business in Mongolia...](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)

### Chapter 1: Doing Business in Mongolia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

#### Market Overview

- **Prospects for 2006-2007:** Mongolia's GDP surged 10.6% in 2004, led by higher commodity prices for gold, copper, etc., and spurred by steady demand from Mongolia's chief trading partner, China. In 2005, the Mongolian government had hoped for 8% GDP expansion, but year-end 2005 estimates by the Mongolian Ministry of Finance estimates put 2005 GDP growth at 6.3 %. The government notes that diminishing apparel exports (because of the end of the Multi-Fiber Agreement) and the impact of higher petroleum prices cut into overall growth of the economy. However, the government notes these negative consequences were mitigated by strong commodity prices for gold and copper and increased gold production, which they hope will continue into 2007. The government believes that that high commodity prices will buoy GDP growth from 5% to 7% in 2007. However, increased metal exports are not a boon for the entire economy. Job growth in the mining sector, still much in the exploration phase, remains limited. Unemployment and underemployment remains a vexing problem for both urban and rural workers.
- **Political Situation:** Mongolia has held eight presidential and parliamentary elections in the past 12 years, during which power changed political hands peacefully. In 2004, the opposition Democratic Party (DP) won 34 seats and the Mongolian People's Revolutionary Party (MPRP, the much evolved successor of the Communist Party) won 36, leaving neither with a majority in the 76 seat State Great Hural (Parliament). In 2005, the MPRP and DP formed a Grand Coalition government through a power-sharing agreement, which remained in effect until January 2006, when the MPRP brought about the dissolution of the coalition government and the formation of a new coalition without the DP. Changes have yet to disrupt the local business environment or the administrative apparatus.
- **Mongolian-U.S. Relations:** Good Mongolian-US relations have developed rapidly to include humanitarian and technical assistance, military to military relations, business development, and a host of smaller programs. Mongolia calls the US its "third neighbor" to balance relations with China and Russia. In 2005 Mongolia successfully hosted Speaker of the U.S. House of Representatives, the Secretary of Defense, Secretary of State, and President of the United States George W. Bush. Mongolia has contributed peacekeeping forces to both Iraq and Afghanistan as well as to UN peace-keeping operations, including in Sierra Leone and Kosovo. Over the past decade, we record no incidents of anti-American sentiment or politically motivated damage to American projects or installations.

- **Russo-Sino-Mongolian Relations:** Relations with Russia and China are critical because Mongolia depends on both for power, petroleum and transportation. Sour relations among these neighbors invariably affects Mongolia's business environment. When the Dalai Lama visited in spring 2003, the Chinese temporarily halted all commercial rail shipments for "technical reasons."

### Market Challenges

- Weak rule of law
- Corruption in the bureaucracy
- Ignorance of best commercial practices in the government and private sectors
- Lack of transparency in regulatory and legislative processes
- Some abuse of phyto-sanitary and licensing regimes in both the pharmaceutical and food production industries to protect existing state and private interests

### Market Opportunities

- **Mining:** Over 6,000 deposits of approximately 80 minerals exist in Mongolia, among them coal, copper, uranium, iron ore, oil, tungsten, molybdenum and phosphate. Of particular note are Mongolia's excellent metallurgic coal deposits. Currently, 160 are being exploited. Mongolia's location next to resource needy Chinese provides a ready market for Mongolia's mineral wealth. As with all industrial sectors in Mongolia, the developing infrastructure is a concern.
- **Construction:** The population of the Mongolian capital Ulaanbaatar has more than doubled in 7 years from 450,000 to over a million. Quality commercial and residential stock is in short supply and demand shows no signs of slacking, despite a recent construction boom. By 2010, Ulaanbaatar's population is expected to grow by over 60%, bringing a demand of 700,000 additional family units as well increased need for expanding municipal facilities.
- **Tourism:** Mongolia is an attractive venue for adventure and cultural tourism. In 2004, the government estimates that over 200,000 visitors saw famed fossil discoveries, a legendary history, religious sites, and a vibrant, living nomad culture. However, long, cold winters limit the length of the tourist season. Inadequate tourism infrastructure requires upgrading. Mongolia will celebrate its 800<sup>th</sup> anniversary in 2006; official and private tourism numbers are expected to spike accordingly.
- **Meat Processing:** Mongolia has vast herds of sheep and cattle, and hungry neighbors. Satisfying demand in Russia, China, Korea, and Japan offers an opportunity to American ranchers and meat processing and marketing technologies. However quotas and restrictive health regulations inhibit the meat trade among Mongolian and her neighbors. Existing Mongolian processing facilities require upgrading to increase production capacity, quality, and sanitation. For this and for other opportunities to export American agricultural products and technologies into Mongolia, contact the USDA supported Mongolia-based AGPROMO at [agpromo@magicnet.mn](mailto:agpromo@magicnet.mn).

### Market Entry Strategy

- **Personal Relations Key:** Mongolians like to deal with old friends. Investors must establish and maintain close relationships with Mongolian counterparts and relevant government agencies. Family and school ties remain strong in Mongolia. Learn who is related to whom when establishing business connections.
- **Use of Agents:** Find a Mongolian advisor to guide through the ins and outs of local customs and business practices.

- **Structure of ownership:** The Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian partner. All investment may be 100% foreign-owned and operated (with the exception of land ownership).
- **Product Pricing:** Sensitive to price, Mongolian consumers will choose the less expensive product--unless they can be swayed by after-sales service or clear product superiority. They perceive American- branded goods as superior to all others, and will more often than not pay a premium to avoid purchasing lower cost, lower quality items.

## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes:

<http://www.state.gov/r/pa/ei/bgn/2779.htm>; or please contact the Commercial Section at the US Embassy in Ulaanbaatar ([commerce@usembassy.mn](mailto:commerce@usembassy.mn)).

## **Chapter 3: Selling U.S. Products and Services**

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### **Using an Agent or Distributor**

Distributors or agents who handle internal distribution and marketing represent many US companies in Mongolia. The US Embassy in Ulaanbaatar can help US exporters find appropriate sales agents in Mongolia. An Embassy-assisted distributor search will help gauge interest in your product and begin the process of finding a suitable representative.

### **Establishing an Office**

Mongolia has a relatively transparent and uncomplicated business registration process. For both joint ventures and sole proprietorships, the process begins at the Foreign Investment and Foreign Trade Agency (FIFTA: <http://www.investmongolia.com>). FIFTA can independently register all ventures with a capital investment of 10,000.00 US Dollars and up. For joint ventures, the foreign and Mongolian companies file an application and a joint venture agreement. A foreign-owned company submits information on its activities along with the application letter

FIFTA charges US\$12 for certificates of approval. The joint venture must register the company name with the Registration Office of the General Department of State Taxation to insure no two companies have the same name.

To become a legal entity in Mongolia, the company must receive final approval from the General Department of State Taxation. The Department registers the business entity and makes the registration public. The General Department of State Taxation requires a US\$10 filing fee and the following documents from investors:

- The agreement and charter signed by all parties involved in the venture.
- The certificate of approval from FIFTA.
- A notarized schedule showing the equity share held by each partner.
- The account numbers of Tugrik and hard currency accounts in a local bank to be used by the venture.
- A copy of the foreign company representative's passport.
- A certificate showing the amount of capital held by the foreign company in its home country.
- A certificate of approval from the local administration where the venture will be based in Mongolia.

Applicants may need additional documents and (or) pay additional fees on a case-by-case basis.

A representative office of a foreign entity may initially register for 3 years. The initial registration fee is US\$700, of which US\$500 goes to the State Taxation Department and \$200.00 to FIFTA. Each extension of up to 2 years costs US\$300.

### **Franchising**

Although no major American franchisers have entered the market, franchising can succeed in Mongolia. Of Mongolia's 2.8 million people, 50% live in the three major urban areas. Ulaanbaatar (UB) has over a million people--40% of the total. It is the key market and economic engine in Mongolia. With such a concentrated populace, investors need no far-flung network to tap the market.

American products enjoy a good reputation and, in general, Mongolia is an excellent fit. Mongolia is a very youthful country. Over 81% of Mongolia's 2.8 million are under 40. Approximately 76% are under 35 years. Flexible, open to new products, services, and ideas, Mongolians particularly like American brands. Most city dwellers have radios, TVs or most likely both. Newspapers are cheap and billboards abound.

Mongolians appreciate quality and will pay for it. Personal appearance and lifestyle count for much in Mongolia. People are conscious of where they shop, what they wear, what they eat, and what they drive. Mongolians will pay to convey the *right* message and to own the *right* product. American products are often *the right product*.

Mongolians also have an increasing disposable income. Although the government estimates the average monthly wage at 55,000 Tugriks or about US\$53, the official wage figures don't capture actual economic capacity. Unofficial estimates put annual per household income between US\$1,500 to US\$2,000. Most people earn hundreds of dollars a month through gray market activities, and foreign remittances bring in hundreds if not thousands of dollars for some Mongolian families. Housing costs are low as are costs for staples. A best guess puts the effective number willing and able to pay for American goods and services on a regular basis somewhere between 400-600 thousand people.

Could Mongols buy American franchise products? The answer is yes. Would they, given the availability of cheaper competition? Most of these cheap products are of demonstratively lower quality. So if there were a quality alternative and the price differentials were reasonable, franchisers and their franchisees could succeed.

The Foreign Investment Law of Mongolia identifies franchising as potential foreign investment category; therefore, potentially entitled to the same status as any other foreign investment under current Mongolian law.

### **Direct Marketing**

While individual firms may send employees out into the field to post bills and shove sales literature under doors or send text messages to cellular service customers advertising new products, there is no coherent system of direct marketing currently available in Mongolia. In-house experience at advertising firms has yet to evolve into a specialized expertise available for hire.

### **Joint Ventures/Licensing**

Investors should note that the Foreign Investment Law of Mongolia does not require foreign investors to have a Mongolian joint venture partner. Businesses may be 100% foreign-owned and operated.

### **Selling to the Government**

Donors have helped Mongolia bring its procurement practices in line with open and competitive bidding. Mongolia adopted a new public procurement law in 1999 making the process more transparent. Most tenders now follow World Bank procurement policies. In March 2000 Parliament approved a new government procurement code conforming to World Trade Organization standards. However, remnants of the socialist system remain, and personal relationships are important.

### **Distribution and Sales Channels**

Most products enter and exit Mongolia through three key ports of entry/exit:

- Zamiin-Uud, along a spur of the Trans-Siberian Railroad and a north-south road terminating at Mongolia's south-eastern border with China
- Altan-Bulag, along a spur of the Trans-Siberian Railroad at Mongolia's north-central border with Russia
- Tsagaan Nuur, along Mongolia's north-western border with Russia

Zamiin-Uud is the most import of the three, and through it passes most of Mongolia's imports and exports, as well as many key Russian commodities—petroleum products, wood, copper, etc. bound for the Chinese market.

Products enter Zamiin-Uud or Altan-Bulag by rail, truck, or car. Products leaving Mongolia by rail are usually inspected at Mongolian Customs Authority (MCA) warehouses in Ulaanbaatar before being sent south or north. Products entering Mongol by rail are usually routed un-opened to the capital Ulaanbaatar (UB) for Customs inspections at the MCA warehouses. From UB, products are then distributed throughout the city and country.

Products entering Mongolia by truck or auto are inspected at the border crossing points. In most cases, these are small traders bringing in limited quantities of food and dry goods for direct sale in rural Mongolia.

Products bound for sale in UB and in other Mongolian cities are trucked from Customs facilities to wholesale and retail outlets dispersed through the cities. Distribution of products to rural Mongolia is usually accomplished by small retailers who travel to urban centers in the Mongolian countryside by rented truck or auto. They purchase goods at local wholesale venues and bear the expense of transport back to their own retail outlets.

Currently, distribution of perishable livestock and organic products both in and out of Mongolia is hindered by the limited availability of refrigerated shipping facilities.

## **Selling Factors/Techniques**

- Personal relationships in business are critical. The Mongolians like to deal with *old friends*. Exporters, importers and investors must establish and maintain close relationships with their Mongolian counterparts and relevant government agencies. Equally important, American exporters should encourage strong personal relationships between their Mongolian agents or distributors and the buyers and end-users. A web of strong personal relationships can smooth development of business in Mongolia.
- Family and school ties are still very strong in Mongolia. It is important to learn who is related to whom when establishing business connections.
- Initial contacts with Mongolians can be in English, but it always helps to be accompanied by an interpreter at the start of any relationship. Mongolians look for cues of serious intent by how much effort—time and material—a foreign investor puts in the early phases.
- There is always a mistaken tendency to see Mongolians through the prism of their neighbors. That is thinking that Mongolians are like the Chinese or the Russians or the Koreans, etc. While historical and cultural ties exist among Mongolia and her neighbors, Mongolians are very conscious and proud of their history and the progress of their country over the last decades. They become offended if confused with China and deeply resent being compared to other developing countries with similar commodity-dependent economies—especially those from Africa. Rather they prefer to be compared to other former East-Bloc nations as Poland, Kazakhstan, Ukraine, the Czech Republic, etc.
- Promotional materials can be English; but if possible preparing a basic information sheet or packet in Mongolian would be appreciated. Russian can be a fallback language but avoid Chinese language materials, as many Mongolians, fair or foul, associate China with poor quality products.
- Avoid letting cultural sensitivity to Mongolian norms get in the way of good judgment and commonsense. Some Mongolians will tell investors that Mongolian customs preclude best commercial practices, insisting that an attractive deal may not go through if those practices are not ignored. We advise investors to politely but firmly cleave to sound business principles. Investors who do so will earn the respect of the Mongolians and may protect their investment, too.

## **Electronic Commerce**

While computers and computing have taken Mongolian by storm, E-Commerce has yet to blossom. Attempts have been made but a not un-justified lack of faith in the security of Mongolian ISPs, a perceived general disinterest in the UB consumer for E-services, and concerns that the local market is still too small to justify start-up expense has prevented development of E-Commerce.. However, these assumptions are perceptions rather than proven realities, because no formal market survey of the demand and ability of the consumers to pay for E-Services has been conducted.

## **Trade Promotion and Advertising**

Advertising is an effective way to create product awareness among potential consumers in Mongolia. Newspapers and magazines, radio, cell phones, television and billboard displays, and sports and entertainment sponsorships are mass advertising venues. Almost every household in Ulaanbaatar (over 40% of Mongolia's consumer market) has both TV and radio. There are many advertising companies in Mongolia. The Mongolian Chamber of Commerce and Industry holds annual spring and autumn trade shows with participants from around Mongolia, Russia, China and Korea.

*Two caveats about advertising:*

1. In the US companies can deduct the cost of advertising as a legitimate business expense. In Mongolia deduction of advertising costs is limited to 5% of the gross profit—no matter how much a company spends on advertising.

2. The Law on Advertising of Mongolia restricts the sorts of information that may be presented. For example, advertisers must not *tarnish* the honor of Mongolia and cannot compare prices in their ads.

These issues aside, Mongolians have taken to advertising in a big way. Both buyers and sellers appreciate the value of advertising and are completely open to just about every method of providing information on products.

#### **Major newspapers and business magazines:**

*Business Times* - a monthly business paper, in Mongolian, published by the Mongolian Chamber of Commerce and Industry Brand—a monthly business magazine

*Mongol Messenger* - weekly English language paper published by the Mongolian news agency

*MONTSAME* (the Mongolian national news agency)

*Mongolyn Medee* - (News of Mongolia) daily newspaper of the Erel Company

*Odriin Sonin* - (Daily News) daily newspaper

*UB Post* - weekly English-language newspaper published by Mongol News Group

*Unoodor* - (Today) independent daily newspaper published by Mongol News Group

*Zuuny Medee* - (Century News) daily newspaper

#### **Television stations include:**

*Channel 25*, owned by the Mongol News Group

*Mongol TV* - state-owned broadcaster

*RGB* - independent television station in Darkhan

*UBS* - (Ulaanbaatar Broadcasting System) citizens' representative board

*TV-5*-privately held broadcasting company

*TV-9*- private television station

#### **Pricing**

Sensitive to price, Mongolian consumers will choose the less expensive product--unless they can be swayed by after-sales service or clear product superiority. However, Mongolians prefer to buy the best quality they can. They perceive American- branded goods as superior to all others. They will more often than not pay a premium to avoid purchasing lower cost, lower quality items.

#### **Sales Service/Customer Support**

Mongolian custom, law, and regulation are evolving in the area of sales service and customer support. There is no sense among customers and businesses as to what sets of services and practices constitute an even basic support package for sales and customer support. In addition, Mongolians have yet to fully embrace the concept that after-sales service and support is worth the upfront higher costs they might incur by buying more expensive US products rather than cheaper Chinese or Russian-made ones.

Education and experience have turned the corner for some American product lines in the heavy equipment sector. Currently firms selling electronic equipment, autos, and mining equipment and tools pursue a variety of options. Generally, models based on best sales service and customer support practices used by well-known Western and Japanese firms have found favor among many Mongolians. Companies that follow such practices are perceived of as better and more reliable.

#### **Protecting Your Intellectual Property**

Mongolia supports intellectual property rights in general and has protected American rights in particular. It has joined the World Intellectual Property Organization (WIPO); signed and ratified

most treaties and conventions, including the WTO TRIPS agreement. The WIPO Internet treaties have been signed but remained un-ratified by the State Great Hural, Mongolia's Parliament. However, even if a convention is un-ratified, the Mongolian government and its intellectual property rights enforcer, the Intellectual Property Office of Mongolia (IPOM), make a good faith effort to honor these agreements. For more information on IPR services provided by the IPOM go to <http://www.ipom.mn/>.

#### Due Diligence

Conducting proper due diligence in Mongolia remains a difficult task. No international accounting firm maintains a permanent presence in Mongolia, and most local accounting and legal firms lack the professional experience and knowledge of international best practices.

However, a good place to start doing due diligence in Mongolia would be at one of the local law firms available on the list of contacts provided in Chapter 9.

The U.S. Embassy in Ulaanbaatar can assist by providing such verifiable non-confidential and proprietary information on both reputations and actions of firms and individuals in active in Mongolia as circumstances allow.

#### Local Professional Services

Licensing technologies, opening representative offices, or establishing subsidiaries in Mongolia involve tax and other laws as well as questions on business practices that may best be addressed by attorneys and accountants familiar with Mongolian requirements.

Attorneys: Several US firms or US-Mongolian firms operate in Mongolia, in addition to competent Mongolian firms. You can find a complete list on the US Embassy website: <http://mongolia.usembassy.gov>, or contact the US Embassy in Ulaanbaatar at [commerce@usembassy.mn](mailto:commerce@usembassy.mn) or [cons@usembassy.mn](mailto:cons@usembassy.mn).

#### Web Resources

##### **Mongolian Resources**

Foreign Investment and Foreign Trade Agency: <http://www.investmongolia.com/>  
Government of Mongolia: <http://www.pmis.gov.mn>  
Intellectual Property Office: <http://www.ipom.mn/>  
Mineral Resources and Petroleum Authority of Mongolia: <http://www.mram.mn>  
Mongol Chamber of Commerce and Industry: <http://www.mongolchamber.mn/en/>  
Embassy of Mongolia, Washington, DC: <http://www.mongolianembassy.us>  
Parliament of Mongolia: [www.parl.gov.mn](http://www.parl.gov.mn)

##### **U. S. Government Resources**

U.S. Commercial Service: [commerce@usembassy.mn](mailto:commerce@usembassy.mn)  
Consul: [cons@usembassy.mn](mailto:cons@usembassy.mn).  
U.S. Embassy, Ulaanbaatar: <http://mongolia.usembassy.gov>  
U.S. Department of State: <http://www.state.gov>  
U.S. Department of Commerce: <http://www.commerce.gov>  
U.S. Agency for International Development (USAID): [www.usaid.gov](http://www.usaid.gov)  
U.S. Trade Representative (USTR): [www.ustr.gov](http://www.ustr.gov)  
U.S. Trade and Development Agency (USTDA): [www.ustda.gov](http://www.ustda.gov)