

Quality management: linking TROPS and NSBS for export success

Introduction

Mongolia is a landlocked developing economy whose exports are extremely dependent on mineral and agricultural products, which are exported with little value added. In 2008, trade turnover increased by 44.1% to USD 5.7 billion. The foreign trade balance showed a deficit of USD 710 million in 2008. Mongolia's major trading partners are China, Russia, South Korea, Japan, the US and the EU. Copper, gold and cashmere represent the biggest share of Mongolia's export.

Export by commodities (%)

	2004	2005	2006	2007	2008
	100	100	100	100	100
Copper concentrate	32.7	30.6	41.5	41.6	42.9
Gold	18	31.1	17.6	12.0	23.6
Textiles	8.9	13	13.3	13.1	8.9
Clothing	7.2	4.9	2.6	0.2	0.03
De-haired cashmere	5.1	4.9	5.2	5.8	5.0
Hides and skin	2.7	2.5	2.3	1.6	1.2
Fluorspar	2.5	2.3	3.2	2.3	2.9
Sheep/camel wool	1	0.5	0.3	0.4	0.4
Meat	0.9	0.7	0.9	0.9	0.8
Crude oil	0.7	0.8	1.1	2.7	5.2

By the Doing Business Index 2010 of the World Bank, Mongolia was ranked at the 153 from 183 countries by "trading across borders".

The role, structure and scope of the organization

The MNCCI is the main representative body of the Mongolian business community and engages businesses, enterprises and trade organizations in a wide range of activities and services in protecting common interests. In addition, the Chamber provides trade related services in the following areas:

- Certifying foreign trade documents
- Issuing certificates of origin
- Registering patents and trademarks
- Issuing ATA carnets
- Allocation of bar codes
- Independent arbitration on foreign trade disputes
- Neutral inspection of quality, quantity and completeness of export/ import items

- Conducting a range of training sessions, seminars and conferences
- Organizing domestic and international exhibitions and trade fairs

The Chamber conducts long and short-term training, issues foreign trade handbooks and market research papers in response to current industry issues. With the purpose of enhancing export productivity, the Chamber also runs various projects in cooperation with international organizations and trade promotion organizations. For example, we have successfully co-implemented the following projects: ‘Ecoprofit for sustainable Mongolian entrepreneurship’; ‘Support to Mongolians agriculture associations in the sustainable development of geographical indication’; ‘European – Asian integration in sustainable tourism management – Asian tour’; ‘New technologies for safe goods: Challenges and Business opportunities in EU-ASIA’, and; ‘Partnership project between Mongolian National Chamber of Commerce and Industry and the German Association of Chamber’s of Commerce and Industry (DIHK)’.

The MNCCI gives high priority to creating a conducive legal environment and actively works on business policy advocacy. First of all, the Chamber has created a mechanism to work successfully with Governmental organizations and private entities, with the Public – Private Consultative Committee, Customs and Business Consultative Council and Sector Councils being established at the Chamber. Presently, there are 38 councils, consisting of representatives from the Business Community and related government agencies. The Councils have collected various information and survey data about the impediment and problems to businesses, particularly law and regulation of various business sectors. The Chamber makes recommendations to Government by working out those proposals. Most importantly, the Chamber had established a Memorandum of Understanding with all Ministries of Mongolia that will be working within the main policy and law.

In previous years, the Chamber actively worked on trade facilitation and export support. In 2006, translation of UN/CEFACT recommendation No. 33 was submitted to the Government of Mongolia from the MNCCI and MCGA. Since that time, a working group for SEW approved by the Government resolution no: 251 on 18th of October 2006 and National program on SEW approved by the Government resolution no: 131, 2007. However, because of a lack of knowledge and coordination mechanisms, most participating governmental parties in foreign trade haven’t been playing active role in foreign trade facilitating activities (excluding the MNCCI & MCGA).

Mongolia has a low number of export products. Presently, there exists no unified policy or program for export support. The Chamber, with support of the International Trade Center and cooperation with Ministry of Trade and Industry, organized an official seminar to formulate a national program for export support. However, after the 2008 Election, the Government has changed its structure and the Ministry of Trade and Industry has been dissolved. As a result, this activity has been delayed. In accordance with the newly formed Government, this initiative transferred to the Ministry of Foreign Affairs, which is now responsible for the formulation and implementation of its program.

Further to this activity, in order to grow the number of exports in non-traditional fields, the Chamber conducts research into global markets, and runs a training seminar for member companies and other business entities to introduce the General Preferential System (GSP+).

Through 2007-2008, the MNCCI conducted a survey to determine new potential export products, along with issues that face importers to Mongolia. More than 100 companies were surveyed, most of them engaged in exports of up to 30 products. 73% have engaged in foreign trade for more than 3 years and over 75% are companies engaging in regular exports sales. The main impediments faced by exporters are summarized in the table below:

External factors	Internal factors
<ul style="list-style-type: none"> - Transport logistic 32% - Form export documentation 24% - Trade rule and regulation, license 21% - Governmental organization's activity and service 15% - Others 8% 	<ul style="list-style-type: none"> - Lack of financial resource 41% - Quality of products and its packaging 25% - Human resource skills and knowledge 13% - Others 21% (technology, lack of information and data, high cost for raw materials, increasing price for power electricity)

50% of participants need a consulting service and advice on marketing for exports, establishing trade contracts and making foreign trade payments. Short-term training for standardization techniques was also a priority. Most companies stressed they need to adopt a policy by the Government for export and new technology support.

The main question for exporters is how to meet international and other countries' standardization requirements. The Chamber provides full information about international standardization processes and provides other useful advice. Last year, the Chamber issued a handbook "Food safety management system – ISO 22000" and is now working on a "Total quality management" index for service companies. Furthermore, the Chamber regularly runs a training seminar and training for "Food safety management system – ISO 22000 and "Total quality management-ISO 9001:2000".

From 2002 the Chamber started to conduct short term training of "Quality Management System". The number of participants for this training course has been increasing year by year, as well as a number of companies taking a full course for their entire organization. Besides training, companies often require a consultant for certain period of time to implement quality management systems at their organization. Unfortunately, Mongolia has a shortage of professionals, consultants and specialized training centers that can service this requirement. The cost of hiring foreign experts is high, and most Mongolian SMEs cannot afford this option. Therefore, the Chamber fulfills this role. More recently, the MNCCI have formulated a one-year special

program, “The conductivity of the Quality Management System”, beginning from May, 2009 and 5 companies are involving with this program.

Another element of the MNCCI is the establishment of the Foreign Trade and Business Training Center (presently the Foreign Trade Academy). The Foreign Trade Academy conducts specialized course for foreign trade managers over one year. The academy regularly runs short term training, covering more than 30 issues in the frame of foreign trade and business. Over the next three years we plan to implement the following:

- To continue the implementation of program “The conductivity of the Quality Management System”
- Conducting special marketing training seminars for companies
- To begin a seminar for training of Food Safety Standardization ISO 22000
- To send project proposals to International trade promotion organizations and other relevant institutes, specialized professional federation and training centers to implement other related programs

The Chamber frames a wide-ranging work plan into SME policy, export support and support the industrialization in rural areas. Further, we are actively working to promote principles of clean production into enterprises and support national industry for bio-eco products. The main activity of Chamber for support export and trade facility is close matching to the Government’s policy and programs - on the other hand, the Chamber also proposes recommendations to the relevant Ministries.

Besides lacking the required human resources to improve the competency of Mongolian exports, there are insufficient internal financial resources to implement further initiatives in this direction.

The existing relationship between NSBs and TPOs

With the purpose to facilitate foreign trade and to create a favorable environment and protect the right of customers, the MNCCI have signed a Memorandum of Understanding for cooperation with the Mongolian Agency for Standardization and Metrology (MASM) in March 27, 2008. However, the collaboration of our two organizations is not enough to facilitate such necessary changes. Private entities as well as members of the Chamber, especially those companies that engage in foreign trade, have criticized documents that have must currently be completed.

As of today, Ts. Yansanjav, Vice-Chairman of the MNCCI is a member of the Standardization Committee and Technical Committee.

Potential future relationship between NSBs and TPOs

To enhance the collaboration of our two organizations we need undertake the following:

- To build mechanism to work with private entities with the purpose of determining trade barriers related to documentation and other such regulation. As a result of this, a joint working group might be established.
- One of the requirements for collaboration is to ensure the establishment a 'single window' for foreign trade in Mongolia.

Possibilities certainly exist to organize a joint training seminar for our members and other interested parties to introduce rules/ regulation of standardization, becoming a bridge between state agencies and private entities.

Due to the requirements of private entities, we need to establish a Consulting Committee that is comprised of both organizations' representative members. The Chamber has great experience in this regards. In addition, the Chamber has established a Custom Business Consulting Committee through cooperation with the Customs General Administration (CGA). This Committee is headed by the Chairman of the MNCCI and director of the CGA, and two secretaries have appointed from both organizations. The Committee works according to an annual plan and sits for quarterly meetings. In addition, the Committee organizes meetings to include representatives of private entities from various industry sectors. This outcome of this should prove very useful for the MNCCI and the MASM, along with the private sector. It's suitable for the exchange of opinions and information. The obvious benefits to the Mongolian business environment, capacity for trade and sustainable, long-term economic growth cannot be understated.

Conclusion

The MNCCI and the MASM need to develop a mechanism for the enhancement of trade regulation in Mongolia. The resolution No. 131 of 2007 Government of Mongolia is highly sought, along with the ongoing collaboration of the MASM.

Through collaboration with the MASM, a significant contribution to improving the capacity of exporters can be attained. Market research, surveys among private sector companies on present regulations, taking on board their views and ideas, and continuing to support them through a range of training initiatives will remain paramount.