

JOINT STATEMENT
OF THE 8th JOINT COMMITTEE MEETING
OF MONGOLIA AND THE EUROPEAN UNION

Brussels, 15 March 2005

The 8th Joint Committee Meeting of Mongolia and the European Union took place in Brussels, on 15 March, 2005.

The Mongolian Delegation was headed by H.E. Mr. Chultem ULAAN, Vice-Prime Minister of Mongolia. The European Union's Delegation was headed by Mr. Hervé JOUANJEAN, Deputy Director-General for Asia and Latin America, External Relations Directorate-General of the European Commission. (List of participants is attached).

H.E. Vice-Prime Minister of Mongolia Mr. Ch.Ulaan was received by Commissioner for External Relations and Neighborhood Policy of the European Commission H.E. Mrs. Ferrero-Waldner.

1. The Mongolian Delegation briefed the EU Delegation on: the recent economic and political developments in Mongolia and its foreign policy under the new government.

The Mongolian Delegation re-affirmed the importance the Government is giving in its foreign policy to further enhance relations between Mongolia and the European Union (EU) which have developed positively since the last Joint Committee in 2003.

The EU Delegation, for its part, briefed the Mongolian Delegation on the latest developments in Europe, such as the planned new Constitution and its implications for the Union's external relations. Furthermore, enlargement now provides the opportunity for reinforcing EU relations with Mongolia through six Member State embassies in Ulaanbaatar (CZ, D, FR, HU, PL, UK).

The European Commission congratulated Mongolia on its partnership status in the Organization of European Security and Cooperation. The European Commission noted Mongolia's interest in involvement in the NATO peace partnership program and ASEM activities.

The Mongolian Delegation welcomed the EU enlargement as a historic process in strengthening global peace and prosperity. It also stressed the importance and increased opportunities of the enlarged European Union's Single Market for trade and investment of third countries, in particular of developing countries. The Mongolian Delegation expressed wishes of success for the future development of the EU.

2. The two sides discussed the process of implementation of Mongolia's National Indicative Programme for 2004-2006 that outlines the bilateral development cooperation activities under the EU ALA program (for Asian and Latin American Developing Countries). It was observed that the transfer of Mongolia as of 1st January 2004 from TACIS to this programme created additional opportunities in particular for the non-government sector to benefit from development cooperation through the Asia-wide programs. They stressed the need to accelerate action on both sides to ensure the timely preparation of a feasibility study and a project on Mongolia's export potential for agricultural products, as well as EU support for the Poverty Reduction Support Credit (PRSC). The Mongolian side confirmed that all necessary steps to ensure disbursement of PRSC as soon as possible would be undertaken by summer 2005.

On behalf of his Government the head of the Mongolian Delegation expressed gratitude to the EC for the successful accomplishment of the EU's TACIS program and commended the EU's overall contribution to the transition reform process of the country. Both sides gave importance to the timely and successful completion of the on-going TACIS projects. The extra-allocation of 1 million EUR for university cooperation under the TEMPUS/TACIS program was appreciated as a useful step to ensure a smooth transition towards the AsiaLink program which has picked up university cooperation under the ALA program. Both sides also encourage applications for Erasmus Mundus Master Courses, for which Mongolian candidates are eligible.

The Mongolian side also expressed gratitude for a new 1 million EUR disaster-preparedness program which the EC Humanitarian Aid Office (ECHO) launched at the end of 2004. This action is set to contribute to Mongolia's own preparations for recurring severe weather conditions.

Both sides stressed the usefulness of the national seminar on "Opportunities for Cooperation between European Union and Mongolia" organized by the European Commission in September 2004 in Ulaanbaatar as an important awareness-building activity on potential and opportunities of Mongolia-EU cooperation. It was agreed that Mongolia's greater participation in calls for proposals under the Asia-wide horizontal programmes should be promoted, *inter alia*, through follow-up actions for Mongolian stakeholders, such as advisory training in preparing project proposals and assisting in identifying partners in EU. To this end, both sides agreed to jointly organize at the beginning of April 2005 in Ulaanbaatar, another national seminar on Asia-wide programs.

The Mongolian Delegation stressed the urgency and importance of opening the EU development cooperation technical office in Ulaanbaatar for implementation of the country NIP, and organization and coordination of development cooperation programmes and activities.

1

The two sides exchanged views on possible priorities for cooperation under the new Country Strategy Paper for 2007-2013. They agreed that the Economic Growth Support and Poverty Reduction Strategy endorsed by the Mongolian Government in 2003 would help to guide the formulation of policy priorities for future bilateral cooperation.

3. The Mongolian side briefed the EU Delegation on organization and management of cooperation portfolio, donor coordination in the new Government.
4. The two sides recommended to relevant authorities of the Mongolian Government and relevant services of the EC to continue contacts and discussions on certain aspects of air services addressing legal issues in existing bilateral aviation agreements (following the 2002 'Open Skies' decision of the European Court of Justice). It is advised to hold formal negotiations later in 2005 in Ulaanbaatar.
5. The European Commission agreed to extend support in the process of granting Mongolia a "Country of Operations Status" in the European Bank for Reconstruction and Development, by speeding up the formal acceptance by the European Community of the relevant amendments to the Agreement Establishing the Bank and by encouraging those EU Member States that have not yet ratified this amendment to do so.
6. Mongolian Delegation expressed gratitude to the European Commission for financing the feasibility studies for Baruun-Turuun and Chargait hydropower projects that were conducted and presented to the European Investment Bank (EIB) and the relevant Mongolian authorities in 2004. The EIB could consider financing the project under the Bank's dedicated Climate Change Financing Facility which would require a carbon feasibility study to be performed to ascertain the potential for the sale of greenhouse gas emission reduction credits under the project-based mechanisms of the Kyoto Protocol. EIB may finance a substantial portion of the cost of the carbon study and, possibly other related transactional costs, under its Climate Change Technical Assistance Facility (CCTAF). However, costs not covered by CCTAF (i.e. for the carbon study and/or other related transactional costs) would need to be financed from third party sources, including Mongolian sources.
7. The Sub-Committee on Trade and Investment that also met on 15 March 2005 in Brussels briefed the Joint Committee on results of discussions.

The Joint Committee took note that:

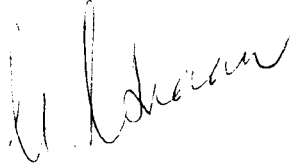
- a) Both sides appreciated significant increase of bilateral trade and EU investment flow to Mongolia since the last Joint Committee meeting.
- b) Both sides agreed that bilateral trade and investment cooperation needed promotional efforts and technical support for capacity-building. Good examples for this are the projects on Geographical Indications and on support for a Trade and Research Centre which were proposed in 2004 for ITC Asia Trust Fund and are expected to start soon.

- c) Mongolia appreciated the World Bank launching in the near future a trade-related technical assistance needs assessment with close involvement of the EC. Both sides see it as a desirable tool to enforce the trade component in the overall cooperation strategy and the technical assistance program.
- d) Mongolia highly commended the pro-development trade initiatives of the EU in favor of small, weak, vulnerable, land-locked developing economies, in moving forward on the Doha Development Agenda. EU stressed the importance of the ongoing DDA, welcomed Mongolia's input on specific development issues and underlined the will to find a good balance, including non agricultural market access and services.
- e) EU mentioned Pascal Lamy's candidacy as Director General of the WTO, his outstanding qualifications and his credentials in promoting development issues. Mongolia is aware of his candidacy and would positively consider supporting him. EU welcomed this very encouraging statement.
- f) Mongolia welcomed the planned GSP scheme of the EC and stressed its importance to Mongolia's economy and exports. By recently having ratified the two missing ILO conventions it is confident to have completed the requirements for eligibility. The EU elaborated on the positive implications of GSP+ for development countries. It welcomed the increase of GSP imports and the high GSP utilization rate by Mongolia and welcomed the progress by Mongolia towards being included in the GSP+ as from 1st of July 2005. Both sides agreed on working closely to tackle the remaining administrative requirements.
- g) The Mongolian side presented to the relevant services of the EC additional information requested by the Commission in its assessment document concerning the request of Mongolia for graduation to market economy status in the context of trade defense investigation. The Mongolian side underlined the importance of full market economy status for Mongolia. The EU confirmed to give the Mongolian request full attention. It stressed the fact, that MES analyses is not a general assessment of Mongolia's overall economic progress, but an exercise based primarily on elements which are relevant for the purpose of trade defense investigation.
- h) EU explained EU business efforts to build up a European Chamber of Commerce in Ulaanbaatar and expressed the hope of strong and practical support from the Mongolian side to facilitate this.
- i) The Mongolian side informed that the Government announced 2005 as the "Year of Micro Finance and Promotion of Small Business", with discussion of SME development being held throughout the country. Both sides agreed that the EC Asia-Invest offers promising opportunities in this context and encouraged

eligible organizations to submit applications for the current call for proposals (deadline 9th of June 2005).

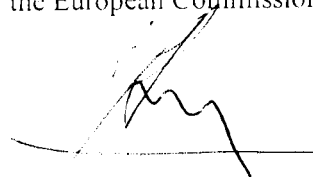
The two sides agreed to organize the next Joint Committee Meeting of Mongolia and the European Union in Ulaanbaatar in the second half of 2006.

For the Government of Mongolia



Chultem ULAAN
Vice Prime Minister

For the European Commission



Hervé JOUANJEAN
Deputy Director-General for Asia and Latin
America, External Relations Directorate-
General.