THE CURRENT STATE OF THE TRANSPORT AND LOGISTIC SECTOR IN LANDLOCKED DEVELOPING COUNTRIES: CASE OF MONGOLIA

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1. INTRODUCTION TO THE INTERNATIONAL THINK TANK FOR LANDLOCKED DEVELOPING COUNTRIES
LANDLOCKED DEVELOPING COUNTRIES (LLDC’s)

- The LLDCs group includes 32 countries, of which **10 in Asia and the Pacific**, 16 in Africa, 4 in Europe, 2 in South America

- The total population of LLDCs is 533 million (2020)–equal to 7% of the world’s population.
- LLDCs cover 15.9 km² or 22% of the world’s land area
- LLDCs account for 1.2% of the world trade, and it’s continue to decline
- A few LLDCs account for 60% of total LLDCs export
- LLDCs are 20% less developed than the countries with direct sea access
- Half of the LLDCs are Least Developed Counties (LDCs)
COMMON ISSUES IN LLDC’s

- Having no direct access to the sea
- Remote from Global market
- Enclaved (Lesotho), Double Landlocked (Uzbekistan)
- Inadequate infrastructure development
- Small population
- Limited market
- Dependent market
- Small number of Exporting goods
ESTABLISHMENT OF ITTLLDC

1990’s
An official group of LLDCs was established under the United Nations

2006
An initiative was taken to establish an International Think Tank for Landlocked Developing Countries (ITTLLDC)

2009
The International Think Tank for LLDC’s was officially launched in Ulaanbaatar by H.E. Ban Ki-moon, United Nations Secretary-General

2010
Multilateral agreement was adopted

2017
10 LLDC’s joined the Multilateral Agreement on the establishment of the ITTLLDC, and the agreement entered into force

2024
- Mongolia
- Lao PDR
- Armenia
- Afghanistan
- Kazakhstan
- Burkina Faso
- Paraguay
- Kyrgyzstan
- Tajikistan
- Nepal
- Ethiopia
- Bhutan
- Niger
- Azerbaijan
OBJECTIVE OF THE ITTLLDC

❖ To use top-quality research and advocacy to improve the ability of LLDC’s to build capacity with a view to benefiting from the international trade including World Trade Organization (WTO) negotiations, with the ultimate aim of raising human development and reducing poverty.

❖ Support LLDC’s in improving their negotiating capacity within the framework of the WTO

❖ Contribute to achieving the Sustainable Development Goals (SDG), Vienna Programme of Action (VPoA)
AREAS OF OPERATION OF THE ITTLLDC

- Conduct research and develop policy recommendations to identify the common interests, characteristics, and development needs of LLDCs

- Implementation of the Vienna Program of Action 2014-2024

- Preparation for the upcoming New Program of Action 2024-2034

- The Network Discussion Platform that brings together the voices of LLDC’s worldwide

- From Research creation to Dissemination and Database creation

- To promote LLDC’s specific problems, its unique situation
AREAS OF INTERNATIONAL COOPERATION OF THE ITTLDC

**Good governance:**
- Ensuring effective cooperation between government agencies,
- Establishing mechanisms for the implementation of the Vienna Program of Action, upcoming New Program of Action,
- Coordination of national development plans and policy documents with International Development Goals,
- Support capacity building activities for policy makers and experts,
- Improvement of development planning and legal basis,
- Development of tools, management and structures to coordinate the policies of the sectors with national policy documents, SDGs, and the National Development Plan,
- Correctly define the objectives, indicators for monitoring and evaluation,

**Correct allocation of resources:**
- Efficient use of domestic and international resources South-South Cooperation (SSC):
- Exchange knowledge and information to share best practices

**A safe secure environment:**
- Address and build resilience, promoting disaster risk reduction and climate change adaptation in the region
Changes in the structure of the economy:
  ❖ Increase economic growth and export diversification,

Private Sector Participation:
  ❖ Opening opportunities and capabilities of the private sector, liberalizing some sectors, support and strengthening SME capabilities,

Transportation technology:
  ❖ Hard infrastructure and development of information and communication technologies

Trade Facilitation:
  ❖ Supporting national mechanisms (National Trade Facilitation Committee),
  ❖ Capacity building in customs and border protection organizations, update in customs clearance procedures and equipment,
  ❖ Coordination of customs and border regulations with transit countries,
  ❖ Transit regulations

Regional integration:
  ❖ Intensify regional cooperation
THE RATIONALE FOR SUPPORTING THE TRANSPORT AND LOGISTICS SECTOR

MAIN ACTIVITIES OF VIENNA PROGRAM OF ACTION:

• Priority 1:
  Fundamental transit policy issues

• Priority 3:
  International Trade and Trade Facilitation

Active development is being developed with the government, civil society and private sector organizations such as the Maritime Administration of Mongolia, the Association of Ethiopian Transporters and Transport Agents, and the Association of Mongolian Freight Forwarder’s.
NEW PROGRAM OF ACTION:
PRIORITY AREA 3: TRANSIT, TRANSPORT AND CONNECTIVITY

I. Transit transport connectivity

II. Digital connectivity

III. Energy Infrastructure and access to renewable energy

• Infrastructure Investment Finance Facility
• International Energy Pipelines, Dry ports
2. CURRENT SITUATION OF MONGOLIA’S TRANSPORT AND LOGISTICS SECTOR
TRANSPORT COST

❖ Cross border trade - Export: Border compliance cost /USD/

❖ Cross border trade - Export: Documentary compliance cost /USD/

Source: World Bank - 2019
TRANSPORT COST

❖ Cross border trade - Import: Border compliance cost /USD/

❖ Cross border trade - Import: Documentary compliance cost /USD/

Source: World Bank - 2019
International Trade Transport Cost

- Due to COVID-19 pandemic and geopolitical issues, the transport cost and time were increased significantly.

**Tariff Index of Container**

**2019 – 2022**

QUICK FACTS

• Mongolia’s Logistics Performance Index (LPI) is 97 in 2023.
• Mongolia is Landlocked between Russia and China, and seeks cordial relations with both nations.
• Length of Mongolian border is 8252 km out of which 3543 km is with Russia and 4709 km are with China.
• Mongolia is the world's 18th-largest country.
• The western extremity of Mongolia is only 37 km from Kazakhstan
EFFICIENT TRANSPORT CORRIDOR THROUGH MONGOLIA
RAILWAYS AND LOGISTIC

➢ As a Landlocked country, Mongolia relies on its two neighbors for access to seaports for international trade.

➢ Most of Mongolia’s exports travel through Zamiin–Uud-Erlian to Tianjin port, the only port in China utilizing for Mongolian international trade.

➢ Due to increasing international trade, transit traffic through Zamiin–Uud-Erlian port has substantially expanded in recent years.

➢ The Customs Office in Zamiin-Uud collected tax revenue of MNT 1 trillion 31 billion in 2023 while it used to collect approximately MNT 450-500 billion annually for the state budget in the past three years.

➢ Noise and air pollution caused by the existing old railway line, which crosses through the center of Ulaanbaatar city. The rail traffic also contributes to urban road congestion.

➢ Within the framework of the port revival efforts, three new railway lines have already reached Chinese border and are in preparation for operation.
ZAMIIN-UUD INTERNATIONAL PORT TO OPERATE 24 HOURS IN 2024
COMPARATIVE DISTANCES FROM SEA PORTS TO ZAMIIN UUD MONGOLIA OR ERLIAN, CHINA (km)
SUCCESSES IN MONGOLIA’S AIR TRANSPORT

➢ Mongolia signed a number of international air transport agreements in October 2023 (Singapore, Vietnam, Lao PDR, Greece and Qatar, UAE.

➢ There have been discussions or considerations of signing similar documents with Kuwait, Hungary, the UK, Spain, Latvia, and Saudi Arabia.

➢ A new phase in the growth of aviation service with South Korea has been achieved (two nations can reach 12 flights per day).

➢ Signed an Agreement between the Mongolia and Russia, to lower the cost of aviation fuel provided by Russian enterprises (resulted in a 15–25% reduction in the cost of long-haul flights.
This year, Mongolia’s national airline is taking pride in its efforts to support UN peacekeeping missions. Starting in 2023, an MIAT aircraft will transport the Mongolian contingent of UN peacekeepers to South Sudan on a rotating basis. This initiative adds to the airline’s notable achievements, which include the successful establishment of new regular routes. The inaugural flight has already been completed successfully.

Significant work is also underway to update airports in various Mongolian cities. Specifically, the winners of the state competition for modernization projects at airports in Choibalsan, Khovd, Gurvansaikhan, and Murun are currently being decided. These upgrades will expand the capacity of these airports, enabling them to achieve international status. In addition to renovating existing airports, new air harbors are also being constructed.

ITTLLDC – ICAO partnership
MONGOLIAN PORTS

- Mongolia has 37 ports. Of these, 16 border Russia, 17 border China, and 4 are air ports. The ports are categorized as follows: 14 are international, 11 are permanent bilateral ports, 14 are temporary or seasonal, and 7 are transit ports.

- The auto road ports bordering China are being expanded and modernized through Public Private Partnerships (PPP), the state budget, as well as loans and investments from foreign governments and international financial institutions. The operation of the Zamiin-Uud-Erlan border port, which plays a crucial role in Mongolia's economy, was severely restricted during the COVID-19 pandemic and subsequently halted. This disruption led to a shortage of imported goods and a significant increase in prices, particularly for construction materials, which doubled, and for some goods, prices tripled.

- The National Committee for Border Port Revival is currently working on the construction and modernization of 3-4 ports with financing from the Asian Development Bank (ADB). These ports will not only facilitate trade with neighboring countries but also with nations farther afield that are keen to access Mongolia's rich mining reserves.

- Mongolia aims to triple its current economy by 2030 through the revitalization and expansion of its ports.
MAP OF MONGOLIA, SHORTEST ROUTE CONNECTING ASIA AND EUROPE
3. TRANSPORT DEVELOPMENT STRATEGY OF MONGOLIA
Create an integrated transport system that meets Mongolia’s Medium to Long term Policy Goals, by increase the share of the transport sector in GDP up to 25%.
WAYS TO ACHIEVE

➢ Create a Transportation System that Meets the Needs of Mongolia’s Social and Economic Development

➢ Create a Mixed Transport System to Ensure Coordination Between Transport Sectors

➢ Become a Component of the International and Regional Transport System

➢ Increase Competitiveness by Establishing Economic Corridors, Border Ports, and Dry Ports

➢ Develop an Integrated System of Interstate, Intercity, and Local Passenger Transport

➢ Develop an International, Interstate, and National Railway Transport Network
WAYS TO ACHIEVE

➢ Develop Road Networks to Support Regional and Local Development
➢ Develop Hubs for International Civil Aviation
➢ Optimize Transport Organization Using Blockchain and Artificial Intelligence
➢ Create a System for Training Human Resources in the Transport Sector