



Asia-Pacific Trade Briefs

Mongolia

Merchandise trade: In 2014, the nominal value of merchandise exports grew by 35.3% – markedly higher than the Asia-Pacific region overall (1.5%). Copper accounts for around half (45.6%) of Mongolian exports, and over three-quarters (88.3%) of all Mongolian exports are destined to China. Mongolia is one of the world richest countries in terms of mineral deposits, resulting in weak incentives for economic and trade diversification. Consequently, exports are concentrated across just 880 products and 86 markets – markedly lower figures than the Asia-Pacific average of 2107 products and 95 partners. The top ten export products are all minerals, metals and fuels. In contrast to its export performance, in 2014 merchandise imports contracted by -17.6% – a much worse performance than the Asia-Pacific region overall (-1.0%). This is in part due to depreciation of the currency, which lowered export receipts and purchasing power. Almost three-quarters (72.3%) of all imports are sourced from China, the Russian Federation and Republic of Korea. The top import products include petroleum, motor cars and vehicles, and electrical energy.

Services trade: Mongolia's services exports contracted by -19.0% in 2014 – compared with an average of 4.4% annual growth between 2010-2014. This was led by a sharp decline in transport and travel services – which account for over half of all services exports. In contrast, services imports grew by 5.9% – but this was lower than the average growth of 29.2% between 2010-2014. Slower growth was led by a sharp decrease in imports of transport services – the largest sector.

Global value chains (GVCs): As expected from the concentration of exports in natural resources, Mongolia's GVC participation is lower than the Asia-Pacific region overall. The share of intermediate goods in trade – a proxy for participation in GVCs – is slightly lower in Mongolia (19%) than the Asia-Pacific (22%) for imports, and substantially lower in Mongolia (8%) than the Asia-Pacific (18%) for exports. Mongolia's relatively low level of participation in GVCs results from its status as primary mineral-exporting economy which largely imports final goods such as motor cars and machinery.

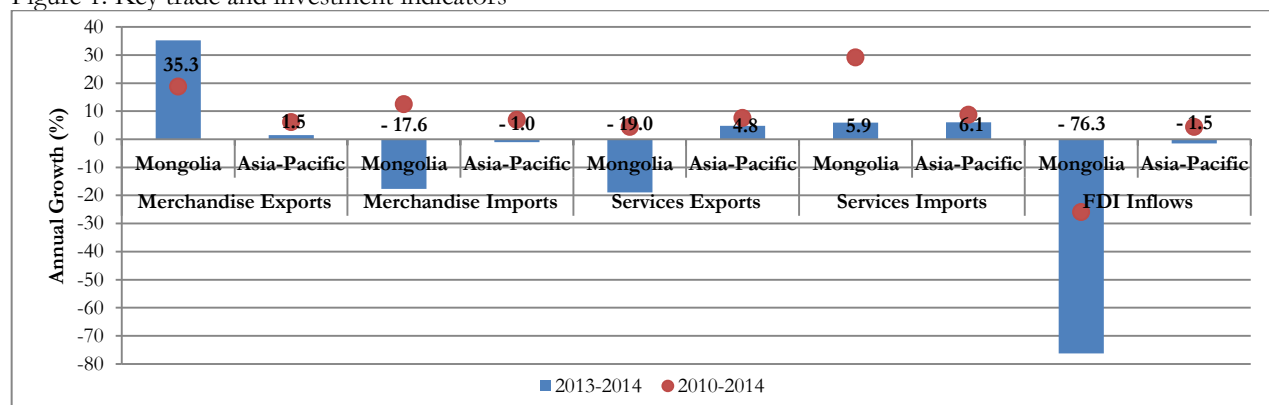
Foreign direct investment (FDI): Mongolia's FDI inflows reached around \$4.5 billion in 2012, after which they have declined sharply, most recently by -76.3% in 2014 to total just \$0.51 billion. One factor behind the declining inflows has been an ongoing dispute between the Government and the mining group Rio Tinto. Further problems have included continued government delays in issuing mining licenses; suspension of mining licenses due to corruption investigations; and unstable economic policies and regulation. The Government lifted a moratorium on new mining exploration licenses to encourage investment however weaknesses in the global investment climate, especially for commodities, continue to deter investors.

Tariffs: Average MFN applied and effective tariffs at 5.0% and 4.9% are much lower than the Asia-Pacific averages of 7.4% and 7.4%. Average WTO bound duty, at 18.0%, is slightly lower than the Asia-Pacific average of 21.7%.

Trade costs: Intraregional trade costs in Mongolia have fallen marginally since 2009. It is costlier for Asia-Pacific economies to trade with Mongolia than with East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – and with EU-3 (France, Germany and United Kingdom) – the extraregional benchmark. Based on the UNRC Survey 2015*, Mongolia's trade facilitation and paperless trade implementation score is at 34.4%, compared to 46.5% for the Asia-Pacific.

Trade agreements: Mongolia has only one trade agreement in force, much lower than the Asia-Pacific average of 7 agreements. Four per cent of exports are to PTA partners, compared to 35% for the Asia-Pacific. Seven per cent of imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: <http://unnex.unescap.org/UNTFSurvey2015.asp>

Figure 2. Top merchandise markets

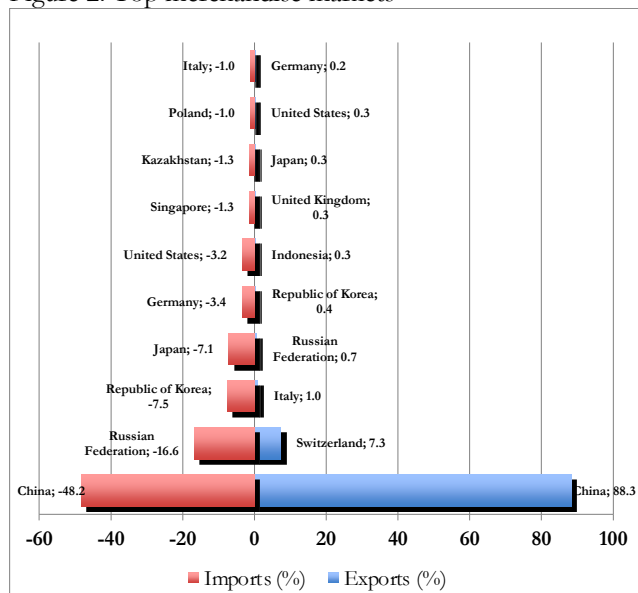


Figure 3. Top merchandise products

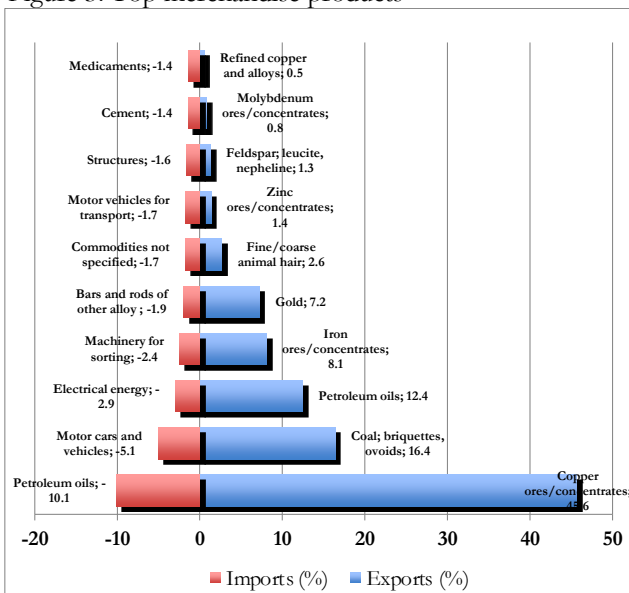


Figure 4. Trade in goods by their use

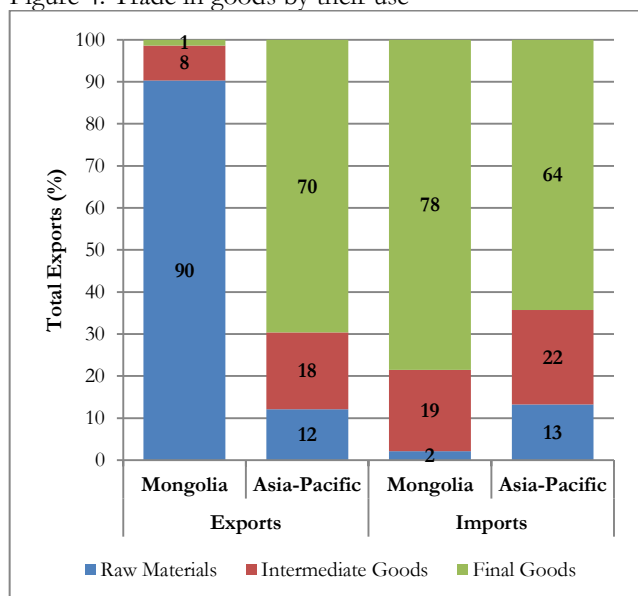


Figure 5. Foreign direct investment

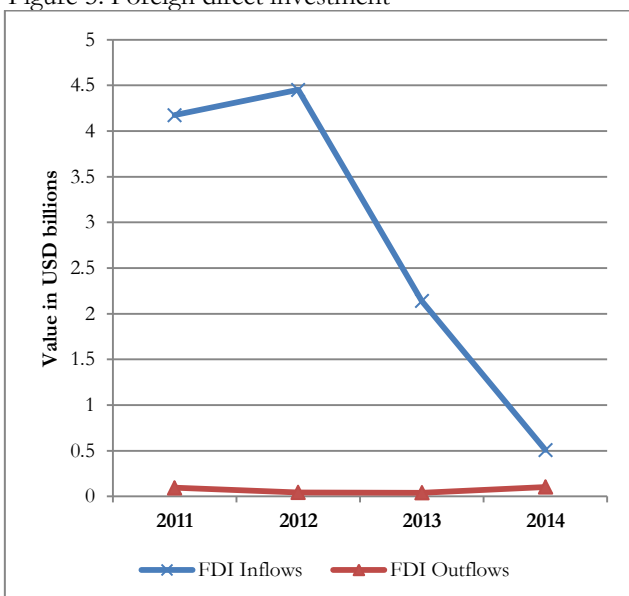


Figure 6. Tariffs

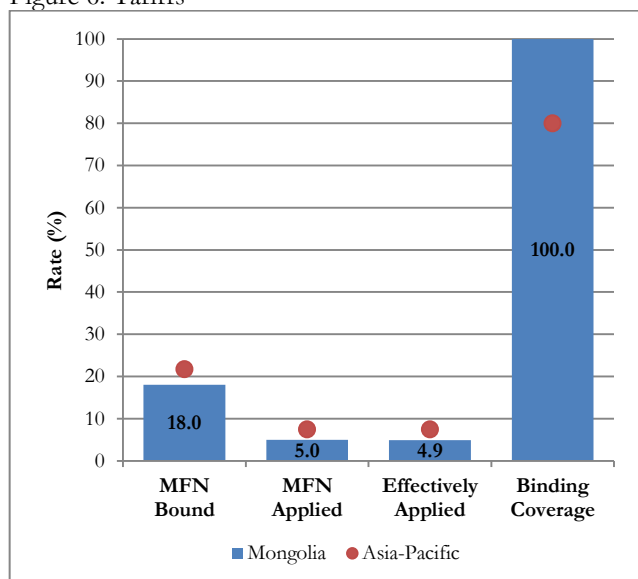
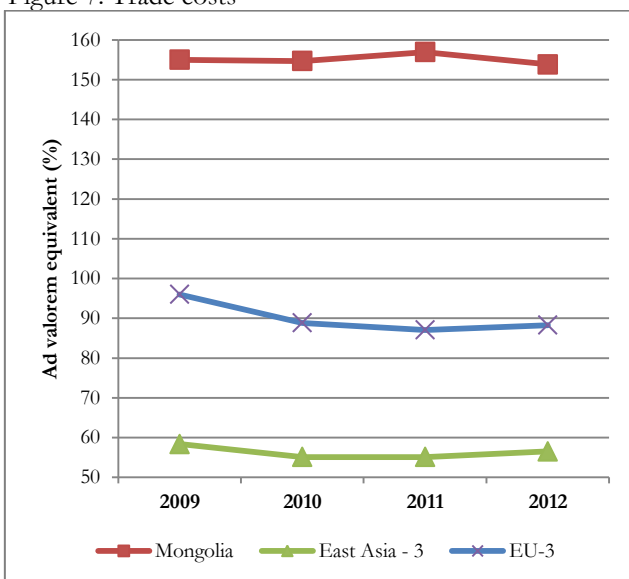


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.

Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.

Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.

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