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Mussie Delelegn
Chief, Landlocked Developing Countries' Section
Division for Africa, Least Developed Countries and Special Programmes, UNCTAD

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Challenges and opportunities for Mongolia's participation in commodity value chains
Structure of the presentation

I. The role of Commodities in Mongolia's economy

II. Importance of hooking into regional and global CVCs

III. Key challenges and opportunities

IV. Policy conclusions and recommendations
I. Commodities dominate Mongolia's exports.

- Exports are predominantly natural resources based or commodities;
- There is heavy export concentration;
  - 3 export items account for about 70% export earnings
  - 1 export item contributes to nearly 50% of export earnings
- With the exception of PRC, Mongolia's trade balance is negative (both in goods and services)
Commodity exports (2011-2015)

Mongolia Vs other LLDCs
Commodities' share in total value added: Mongolia and selected country groups (% of GDP, 2003-2015)
Evolution of main merchandize exports (2005 & 2008)

- **Share of most exported items from total Merchandise (2005)**
  - [283] Copper ores and concentrates; copper mattes, cemen: 33.9%
  - [971] Gold, non-monetary (excluding gold ores and concentrates): 25.1%
  - [268] Wool and other animal hair (incl. wool tops): 7.2%

- **Share of most exported items from total Merchandise (2008)**
  - [283] Copper ores and concentrates; copper mattes, cemen: 35.01%
  - [971] Gold, non-monetary (excluding gold ores and concentrates): 20.45%
  - [287] Ores and concentrates of base metals, n.e.s.: 16.69%
Evolution of main merchandize exports (2011 & 2014)

Share of most exported items from total Merchandise (2011)

- [283] Copper ores and concentrates; copper mattes, cemen: 50.85%
- [287] Ores and concentrates of base metals, n.e.s.: 10.12%
- [971] Gold, non-monetary (excluding gold ores and concentrates): 10.03%

Share of most exported items from total Merchandise (2014)

- [283] Copper ores and concentrates; copper mattes, cemen: 46.80%
- [321] Coal, whether or not pulverized, not agglomerated: 16.11%
- [333] Petroleum oils, oils from bitumin. materials, crude: 12.14%
Trade by top ten partners (2014)

Top ten Export partners - 2014

Million USD

China
Switzerland
United Kingdom
Russian Federation
Italy
Korea, Republic of
Japan
United States
Indonesia
Germany

Top ten Import partners - 2014

Million USD

China
Russian Federation
Korea, Republic of
United States
Germany
Ukraine
Malaysia
Singapore
France
Share of one commodity in total merchandise exports (2005-2014)

Copper ores, concentrates and mattes......

- 2005: 34%
- 2008: 35%
- 2011: 51%
- 2014: 47%

[283] Copper ores and concentrates; copper mattes, cemen
II. Importance of hooking into regional and global CVCs: Mongolia

- Changes in international production networks
- Driven by Information technology revolution and falling cost of production
  - Led to a worldwide Web of Value Chains
  - A situation where "firms (not nations) compete"
  - Brought back the critical importance of imports to the policy debates (trade liberalization)
II. Challenges and opportunities for Mongolia

Opportunities

• Natural resources wealth
• Location in a dynamic region (bordering China and Russia)
• Huge regional markets (remoteness is a bygone)

Key challenges

• Commodity and market concentration
• Access to energy infrastructure, low productive capacities (overall)
• Small domestic market size
Trade openness: Mongolia and other country groups (2000-2013)
Logistics Performance Index (LPI): 2013 (latest Available data)

- Ability to track and trace consignments
- Competence and quality of logistics services
- Ease of arranging competitively priced shipments
- Efficiency of customs clearance process
- Frequency with which shipments reach consignee on time
- Quality of trade and transport-related infrastructure
- Overall score

Legend:
- LLDCs
- Transit countries
- Other developing countries
- Mongolia
Commodity value chains: areas for policy interventions or focus

• Enhancing productive capacities and structural transformation;
• Infrastructure, including energy infrastructure
• Improving an overall business environment,
• Enhancing linkages between key policies and interventions (e.g. trade, investment and industrial policies;)
• Putting in place key institutions (e.g. quality control or standards body, etc);
• Building contact negotiating and enforcing capacities (key for Mongolia);
• Trade facilitation (reform, regulations and cooperation)