

On the Special Feature 1 : Contemporary Issues of the Mongolian Economy

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Mongolia undertook a rapid transformation of its economy from a centrally planned command economy to a market-oriented one following a neo-liberal shock therapy transition policy in its transitional course. However, after a passage of three decades since transition, the Mongolian economy is still based on the primary industries, with raw and semi-processed materials from mining and agriculture dominating exports. While the economic base built and developed under the planned-economic system that had prevailed in Mongolia for 70 years has deteriorated, there is still a little progress in expansion of the export markets with high value added new products during this period and export growth was virtually driven by exports of mining-origin products. On the contrary, exports of some finished products were replaced with unprocessed or semi-processed materials.

Mining became a dominant industrial sector after collapse of the country's manufacturing industry in the 1990s. Despite the mining sector's emergence as a new source of income generation, over-reliance on it and its vulnerability to external market factors, which are beyond the country's ability to manage, has made Mongolia's economic growth unsustainable. Moreover, as the country's mining-origin commodity dominated export is virtually dependent on the single market of China, the recent slowdown of China's economy has exaggerated this problem. As the country's consumer goods and industrial inputs have become highly reliant on imports, such developments are continuing to trigger the country's balance-of-payments to deteriorate and fuelling the local currency to depreciate, thus putting pressure on other economic activities.

Therefore, in order to bring the country on a path of sustainable and inclusive growth and avoid more profound socioeconomic problems and social unease, Mongolia needs to develop and follow a proper strategy for economic development by diversifying its economic base and export markets. Rigorous analyses of the economy from diverse aspects would facilitate these developments, and aimed at supporting this process, ERINA has been conducting joint annual research workshops with various local partners in Mongolia since 2012.

This special feature introduces four of the papers presented at the 9th annual ERINA Joint Workshop on Mongolian Economy organized with the Department of Economics of the National University of Mongolia (NUM) on 8 August 2019 in Ulaanbaatar. The key findings of these researches were:

- In her paper that analysed Mongolia's export promotion policies, NARANTUYA Chuluunbat, Associate Professor, Department of Economics, NUM, noted that Mongolia's export sector lacks diversification in terms of its structure and destination. Although the government began to develop a comprehensive export promotion policy in 2013, one which has been refined several times thereafter, Mongolia still exports a limited variety of non-mining sector products, while total exports are virtually dependent on one country, China. The country's export promotion policies are not cohesive and coordination among government agencies is weak. Moreover, export support policies are limited mostly to financial measures and services for exporters remain lacking. Although, non-financial policy measures for export promotion are just starting to be introduced, more targeted instruments and a unified export promotion policy are needed along with greater emphasis on non-financial instruments such as improvement of the legal environment, government services (customs, single-window service, inspections, standardization, database development etc.) and non-governmental services (information, advertising, insurance, research, trade fairs, supply chain etc.).

- In their analysis of wage structure in Mongolia, ENKHBAATAR Ichinnorov, Head of Policy Research Department of the Research Institute of Labour and Social Protection and ALTANTSETSEG Batchuluun, Associate Professor, Department of Economics, NUM, using data of random surveys carried out by the Research Institute of Labour and Social Protection in 2013, 2015 and 2017, claim that there is a weak relationship between labor cost and labor productivity in Mongolia. The survey years correspond to the recent "boom and bust" cycles of the Mongolian economy, where the country enjoyed 11.6% growth of the real GDP in 2013, experienced a decline to 2.4% in 2015, and then revitalized to 5.1% in 2017.

Real wage changes associated with these cycles were closely correlated not only with the demographical structure of the labor force, but also with the characteristics and location of employers. The analysis indicated that the highest paid workers in Mongolia were those of highly educated male employees working at state-owned industrial enterprises located in urban areas. Also, worsening of the quality of labor force and wage incentives contributed equally to real wage decline in 2015, while the increase of real wages in 2017 was mainly associated with raised wage incentives.

- An analysis on the Consumer Confidence Index (CCI) in Mongolia was carried out in the joint paper co-authored by ALTANTSETSEG Batchuluun, Associate Professor of Economics, National University of Mongolia, DAVAADORJ Tsenddavaa, Director, Mongol-Japan Human Resource Development Center, National University of Mongolia and SOYOLMAA Batbekh, Associate Professor of Economics, National University of Mongolia. Consumption accounts for about 60% of a country's GDP; thus, consumer confidence is an important factor in economic cycles and a random survey on CCI has been carried out in Mongolia since 2009. The recent survey conducted in the second quarter of 2019 indicated that the overall CCI has increased to levels higher than those in the same period of the previous year. Furthermore, the consumers' evaluation of the current economic situation has substantially

improved, however, their expectations for further growth remained unchanged. The improved evaluation was mainly associated with improvement in job availability in the country. Moreover, the survey indicated that consumption plan will be relatively stable in the coming 6 months, while the expected inflation rate would be equal to 3.5% and the exchange rate of the local currency per USD 1.00 would reach MNT 2,700. But the inflation rate in the year ahead is expected to increase to 5.1%, or relatively the same level seen a year earlier.

- Narantuya Danzan, Associate Professor, Department of Economics, NUM, in her paper titled "Role of Women and Unemployment of Men" investigated how the roles of Mongolian men and women in their families have changed over the course of the country's historical economic systems of monarchy, socialism and capitalism. Based on labor force, gender and other social indicators and sample surveys, along with oral histories of 58 people and in-depth interviews of 20 couples in Mongolia, she concluded that unemployment of males and a wider gap between male and female life expectancies in Mongolia have increased during the country's transition from socialism into capitalism. This might be attributable to the fact that men have greater difficulties adapting to unemployment than do women. However, more in-depth qualitative studies are needed to investigate this situation, she underlined.