

Promoting Non-Mining Exports in Mongolia (Summary)

NARANTUYA Chuluunbat

Associate Professor, Department of Economics, National University of Mongolia

Mongolia is a landlocked resource-rich developing country. Mineral wealth brings vast economic opportunities, but also creates issues, high dependence on these resources being one of the main problems. The share of the mining sector in total exports grew consistently after 2000, leading to increased dependency as high as 92% in 2012. In light of these developments, policy making has been concerned with the need to diversify the economy. There is a growing realization that more aggressive export promotion is needed in the non-mining sectors. The government recently proclaimed export-led growth to be the development priority and took first steps toward national export-promotion policies. However, these policies thus far have not been cohesive. In the last decade or so, the foreign trade function shifted several times from one ministerial portfolio to another. There are also several international players that undertake uncoordinated efforts in export promotion with varying success. The policies thus far concentrated on more traditional financial measures. In 2012-2015, the government undertook a series of fiscal measures, including concessional loans to exporters and VAT exemption on some export products. These programs largely dried up in 2016 when the economy took a dip. The effect of financial incentives is unclear at best. At the same time, studies show that the general business and trade environment in Mongolia is not favorable, with numerous hurdles faced by exporters in complying with government regulations. The government's non-financial efforts in easing trade have been limited. For instance, the "single window service" for exporters is still not complete after several years in the making. We stress the importance of improving the general legal environment to boost exports. Of particular importance is also the improvement of export services including marketing, quality certifications and liaison. The latter could be provided by both the government and non-government agencies.

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