

Economic Diversification: Case Study of Mongolia (Summary)

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The well diversified, robust and resilient economies have built up a rich sectoral representation and widespread trade relations over many years. These countries tend to have a significant impact on economic thinking and opinion regarding development models. Their data also set a benchmark in global assessments and comparisons of rates of diversification: such statistics and related studies unsurprisingly conclude that most developing countries, especially very small states, are very poorly diversified.

Five dimensions of economic diversification – export products, export markets, origin of FDI inflow stocks, diversification across production sectors and diversification within production sectors – are explored in the present paper in the case of Mongolia.

For those small developing countries that find it particularly hard to achieve export growth across a wide range of advanced economies, more rapid growth in South-South connectivity and trade should allow them to improve their export performance. However, while this might increase their range of trade partners, diversification in the range of products offered might remain difficult to achieve, especially for landlocked countries with physical accessibility problems. Arguably, instead of promoting efforts to greatly diversify goods, an alternative policy goal might be to expand into services, especially those that might clearly appeal to a well-identified target group of potential clients. There are opportunities in services as well as goods trade – tourism and business services are resilient industries that have performed well throughout most of the last decade, in spite of the turbulent global trade environment.

Diversification analysis for Mongolia is impacted by its inevitable tilt towards China and the boom in fuels and minerals trade: on the conventional measure, concentration is increasing. At the same time, however, Mongolia has been increasing productivity in goat herding and thus exports of cashmere have achieved a wider market, including Europe.

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