

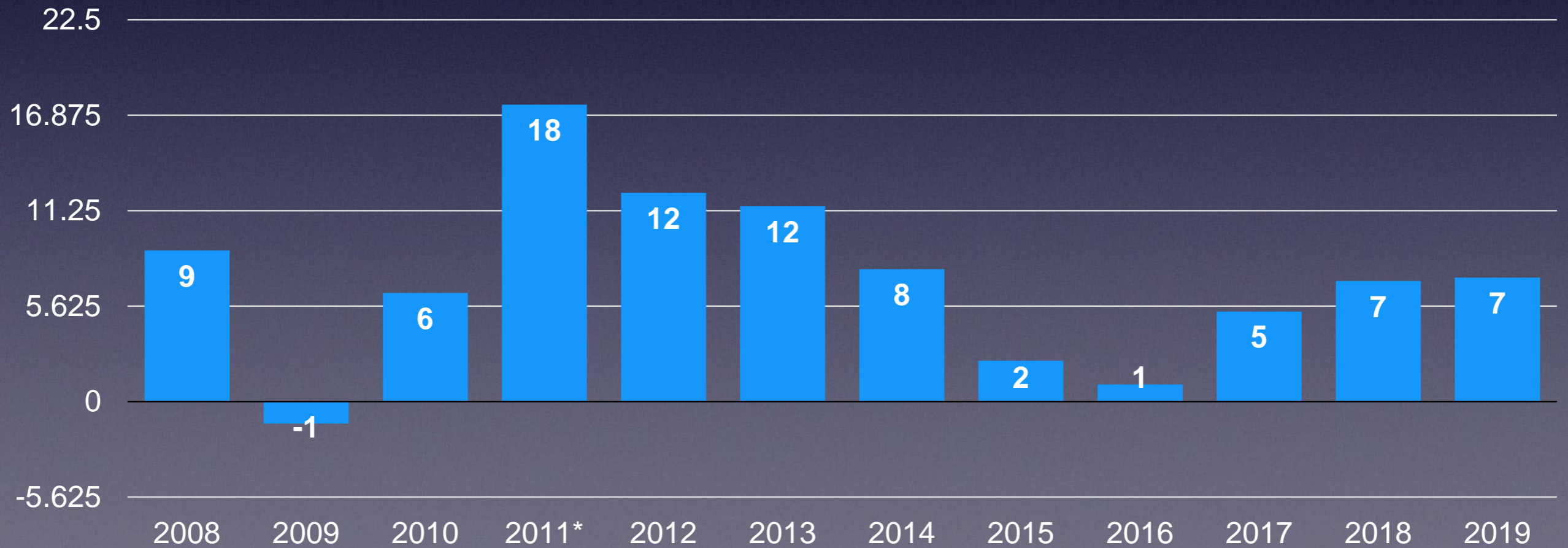
Foreign trade between Mongolia and Russia

Ch.Khashchuluun, PhD
NUM 2019

Mongolia's GDP

GDP 11 billion USD

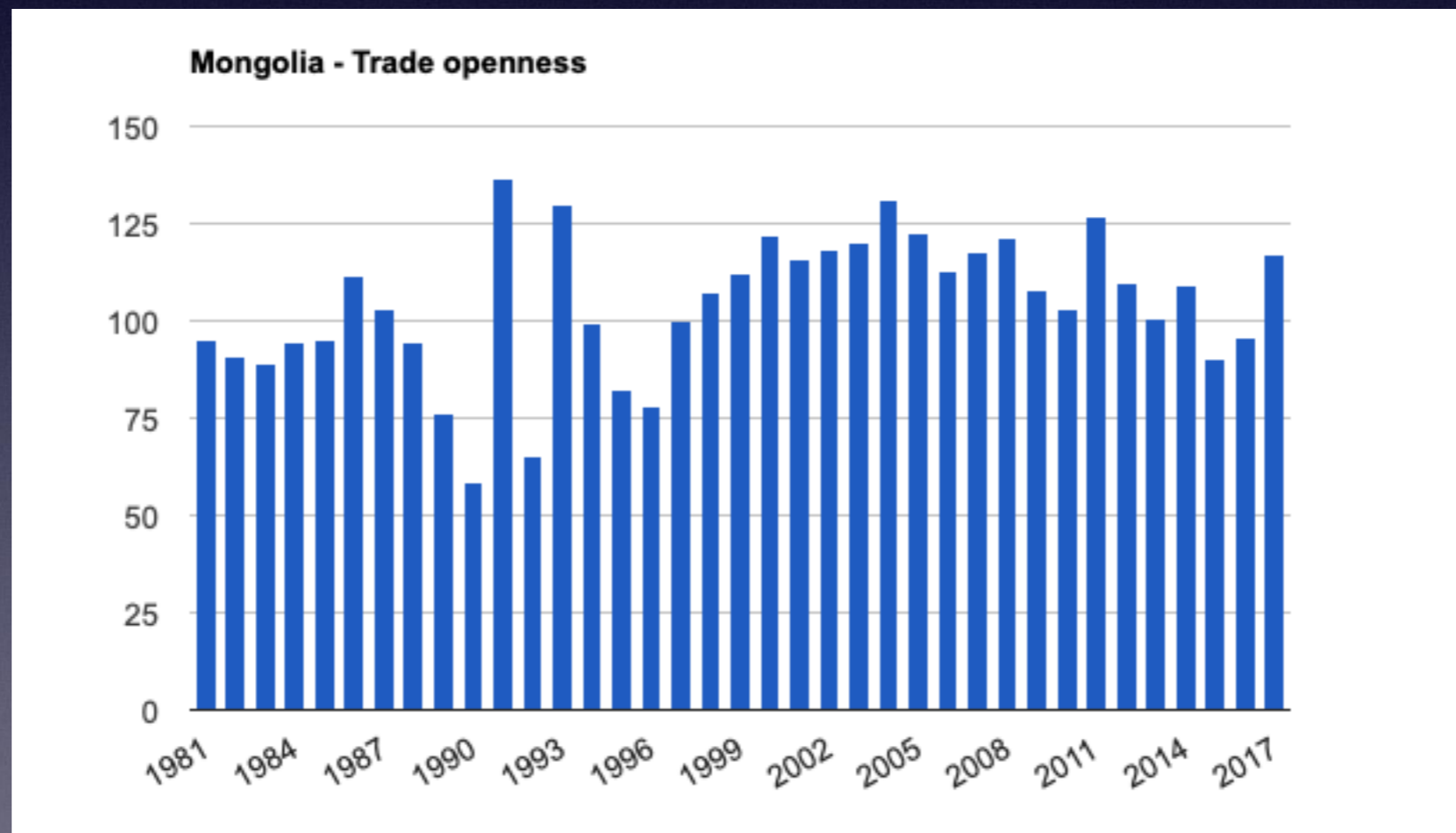
■ Economic growth rate, %



Transition to market economy and foreign trade liberalization in 1990

- Liberalization of foreign trade
- Liberalization of foreign investment
- Liberalization of private business
- Explosive growth of private trade
- One of most free trade regimes in the world
- Enjoys an increasing trade surplus last 4 years (1.1 billion USD)
- Free trade agreement with Japan in 2015
- Free trade agreement negotiations with S.Korea and China

Mongolia trade openness World Bank, on average 104.35, 34th in the world



Mongolia is trading with more than 163 countries of the world

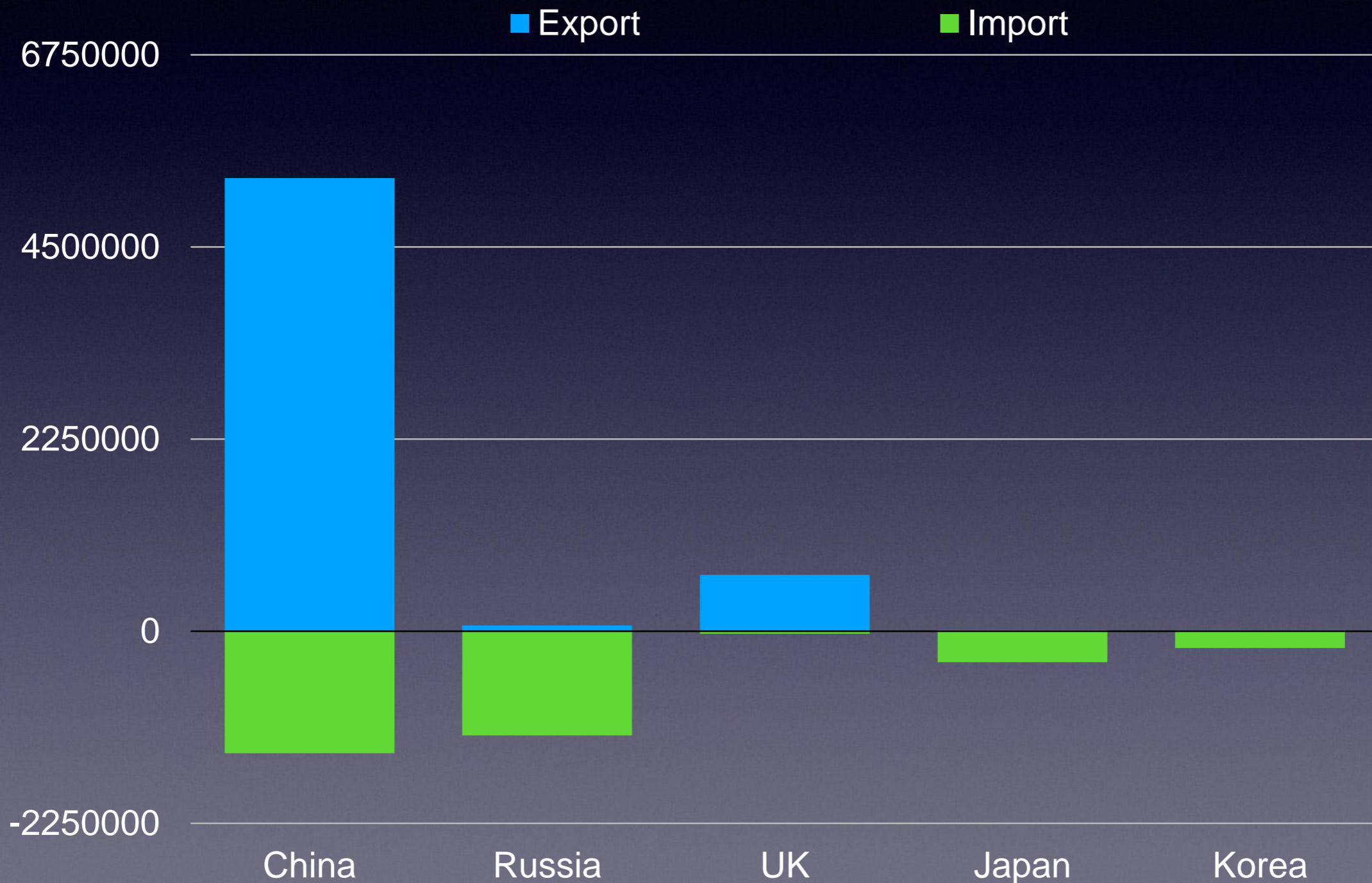
Mongolia's trade turnover, mln. USD



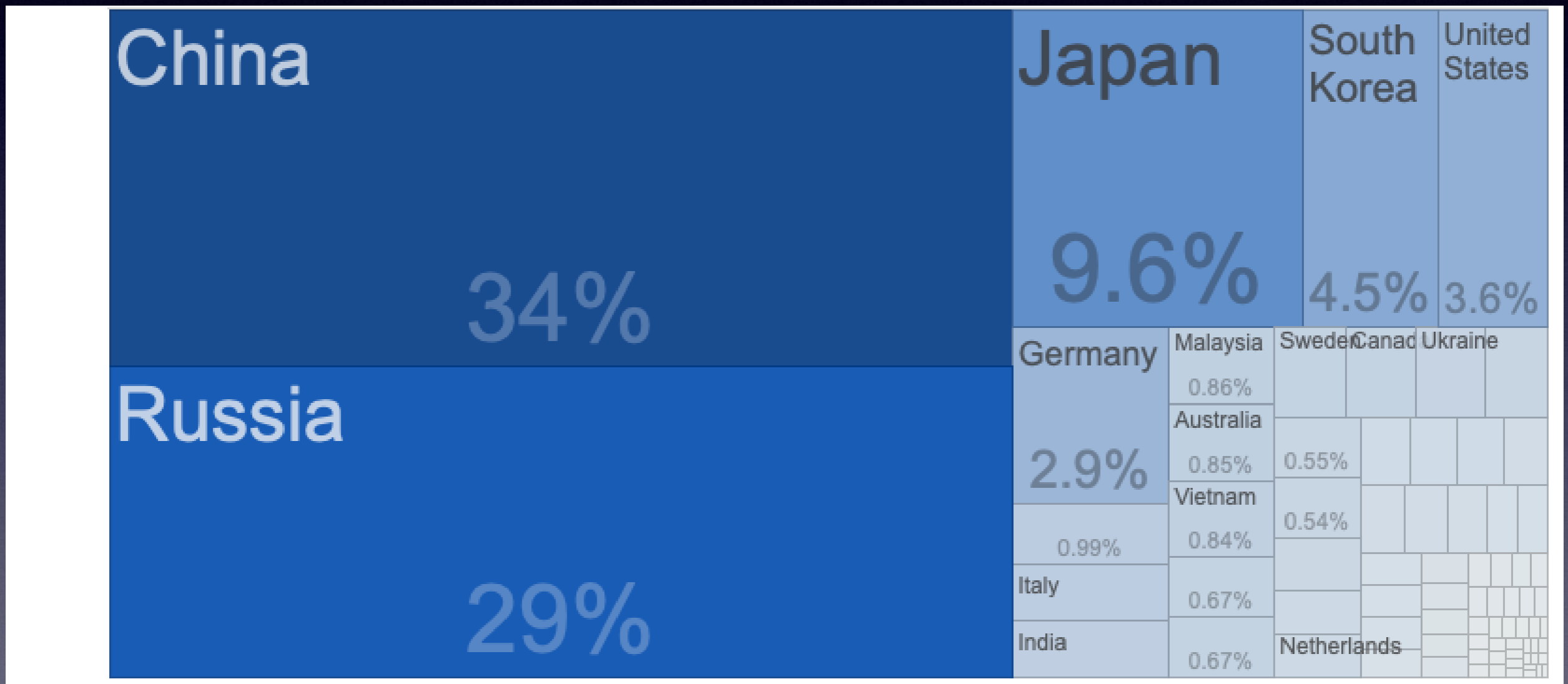
Preferential treatment for Mongolia

- In 1999 USA granted Mongolia permanent normal trade relations (NTR) status and generalized system of preferences (GSP) eligibility
- European Union granted Mongolia GPS+ status in 2005, thus exempting 7200 export items from Mongolia from tariffs on exports to 25 European countries.
- One of most open economies by IMF classification
- Japan concluded free trade agreement with Mongolia in 2015

Foreign trade main partners of Mongolia in 2017, million USD



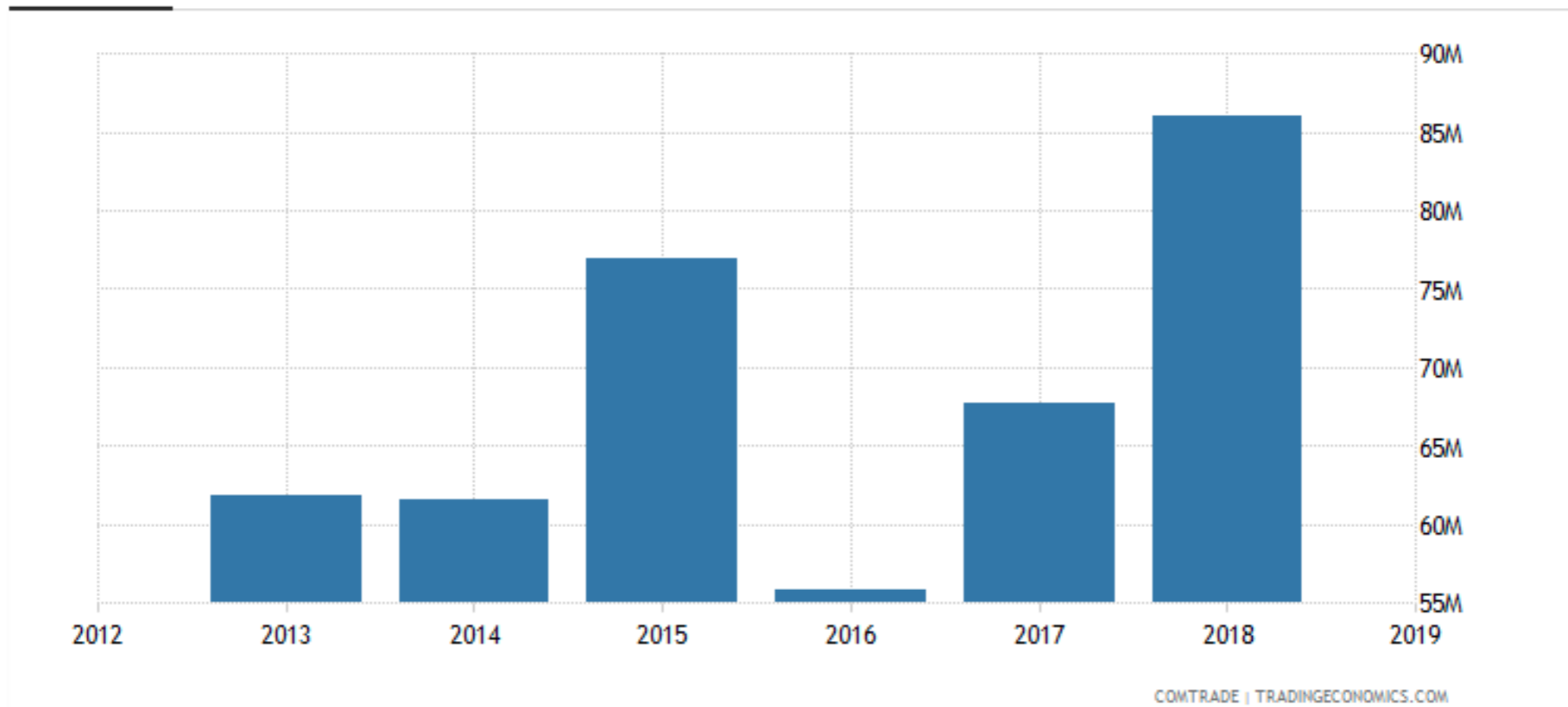
Mongolia's imports by country, 2017, In percentage



Mongolia's exports to Russia

87 million USD

Historical Data API



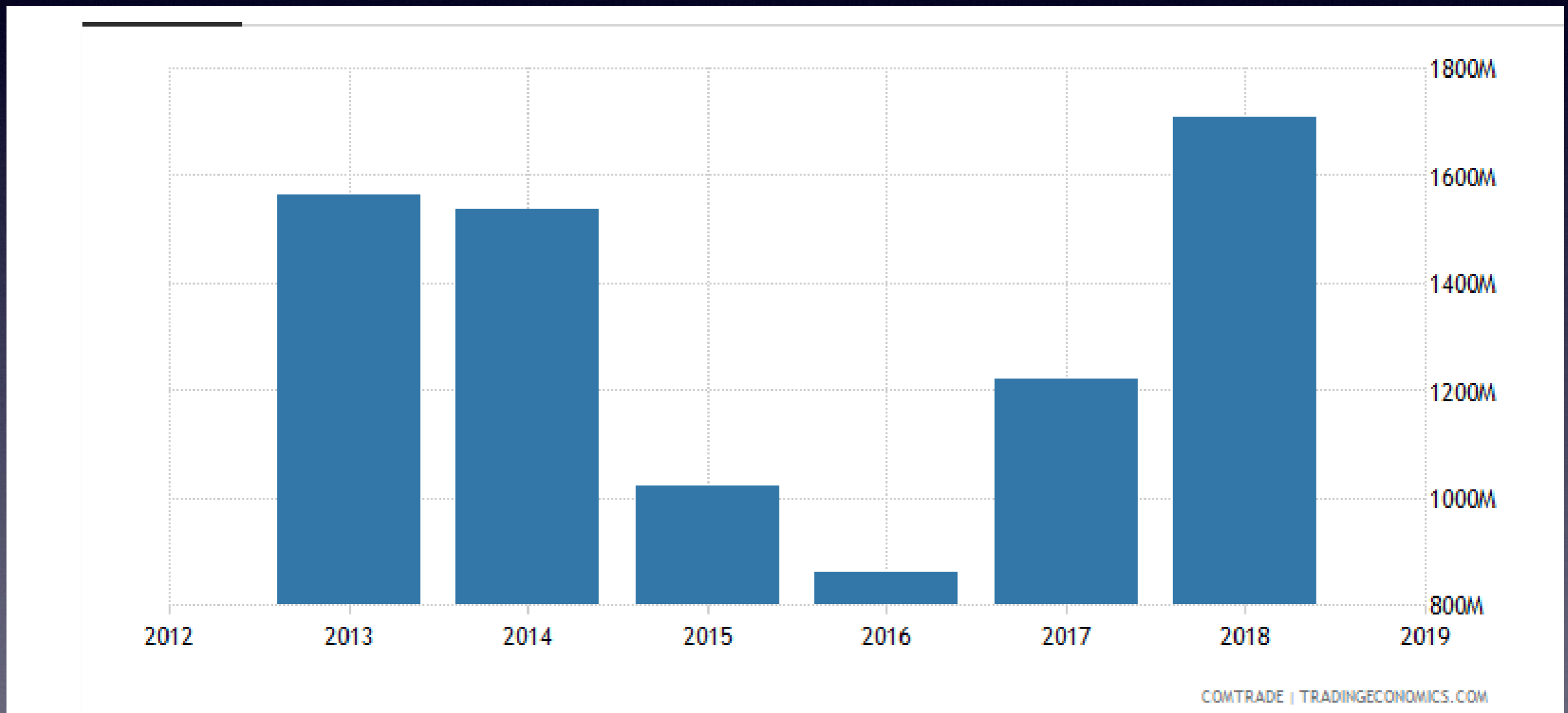
Mongolia's exports to Russia: minerals, food, textiles

Salt, Sulphur, Earth, Stone, Plaster, Lime and Cement

73%

Mineral Fuels, Oils, Distillation Products	Meat and Edible Meat Offal	
8.6%	8.3%	
Articles of Apparel, Knit or Crocheted	Meat, Fish and Seafood Preparations	
	1.4%	1.3%
Optical, Photo, Technical,...	Wool,...	
	0.87%	
1.5%		

Mongolia's imports from Russia: 1.7 billion USD in 2018



Mongolia's imports from Russia: fuel, iron, food (cereals)

Mineral Fuels, Oils,
Distillation Products

66%

Iron and Steel		Cereals		Machinery, Nuclear Reactors, Boilers	
4.3%		3.4%		2.4%	
Fertilizers	Electrical, Electronic Equipmen	Vehicles Other Than...	Cocoa and Cocoa Preparations		
1.9%	1.9%	1.6%	1.6%	1.4%	
Cereal, Flour, Starch, Milk...	Articles of Iron or Steel				
1.3%	1.0%	0.82%	0.82%		
Animal, Vegetable...	0.56%				
1.2%	0.56%				
1.1%					
Organic...					
1.1%					

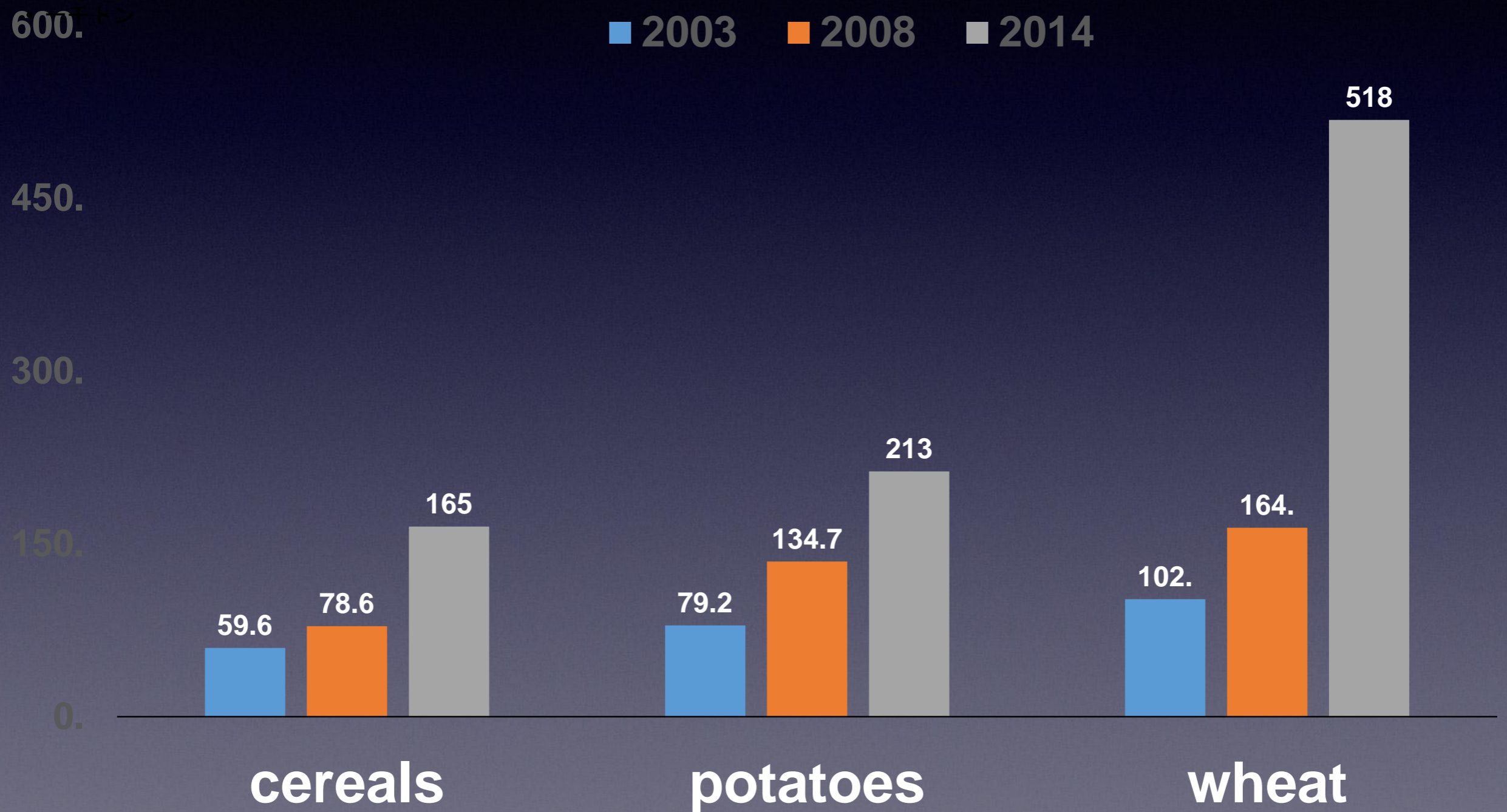
Trade between the countries

- Generally, both countries trade raw materials and food products
- Exports of both countries have very small percentage of processed goods (higher percentage for Russian exports)
- Value of trade is dominated by Mongolia's imports of fuel from Russia, there is very few trade items to consider except fuel

In midterm perspective, what factors may influence bilateral trade?

- Mongolia's policies to reduce import dependancy:
- growth of crop production
- Energy production
- Fuel production

Mongolia crop production increase, 2003-2014, in thousand tonnes

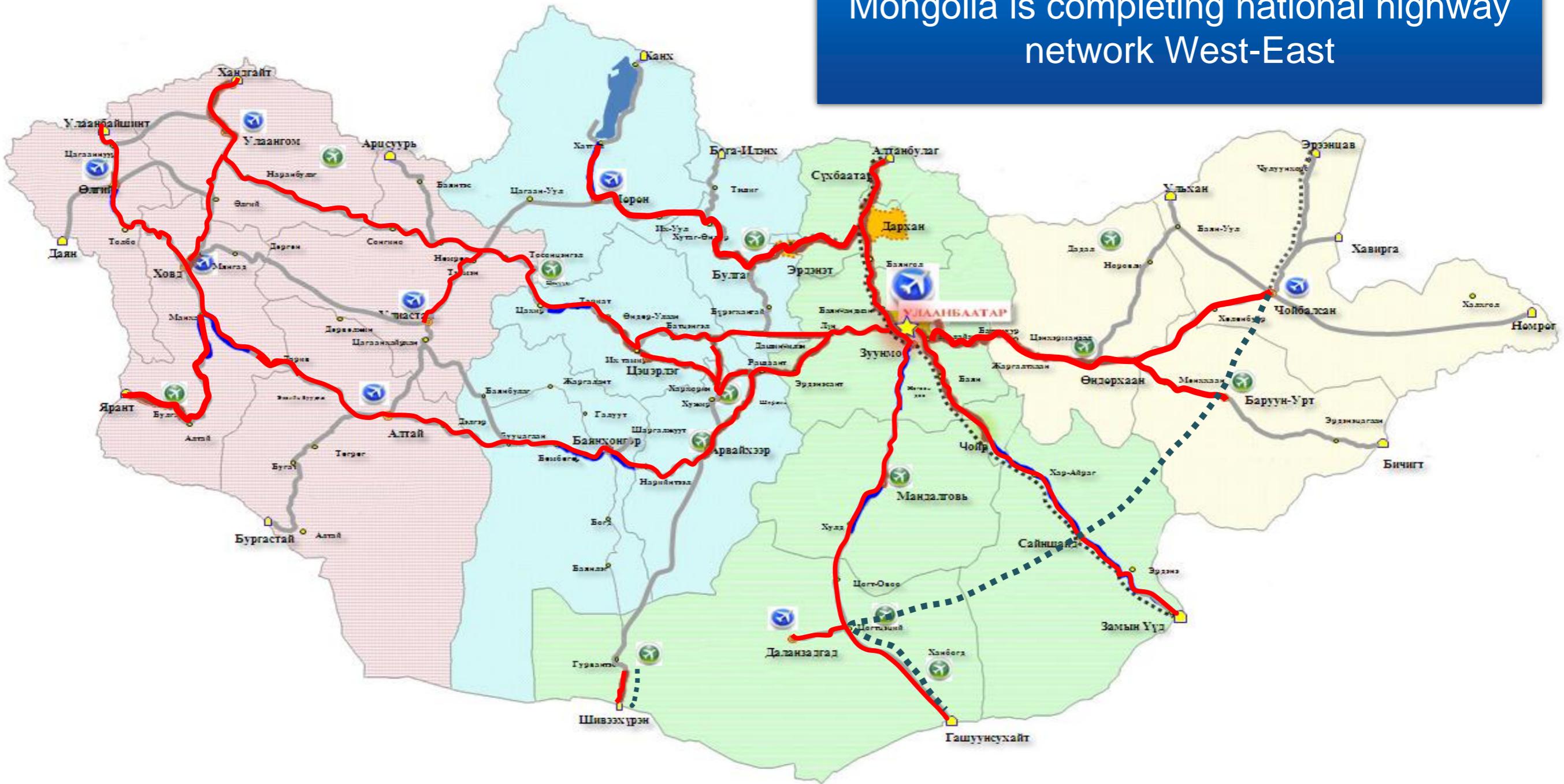


Thousa nd tonnes	2014	2015	2017	Self suffici ency
Wheat	518	216	238	100%
Potatoe s	161	163	121	100%
Cereals	104	72	82	55-62%





Shortest route from Central Asia to East Asia through Mongolia highway network

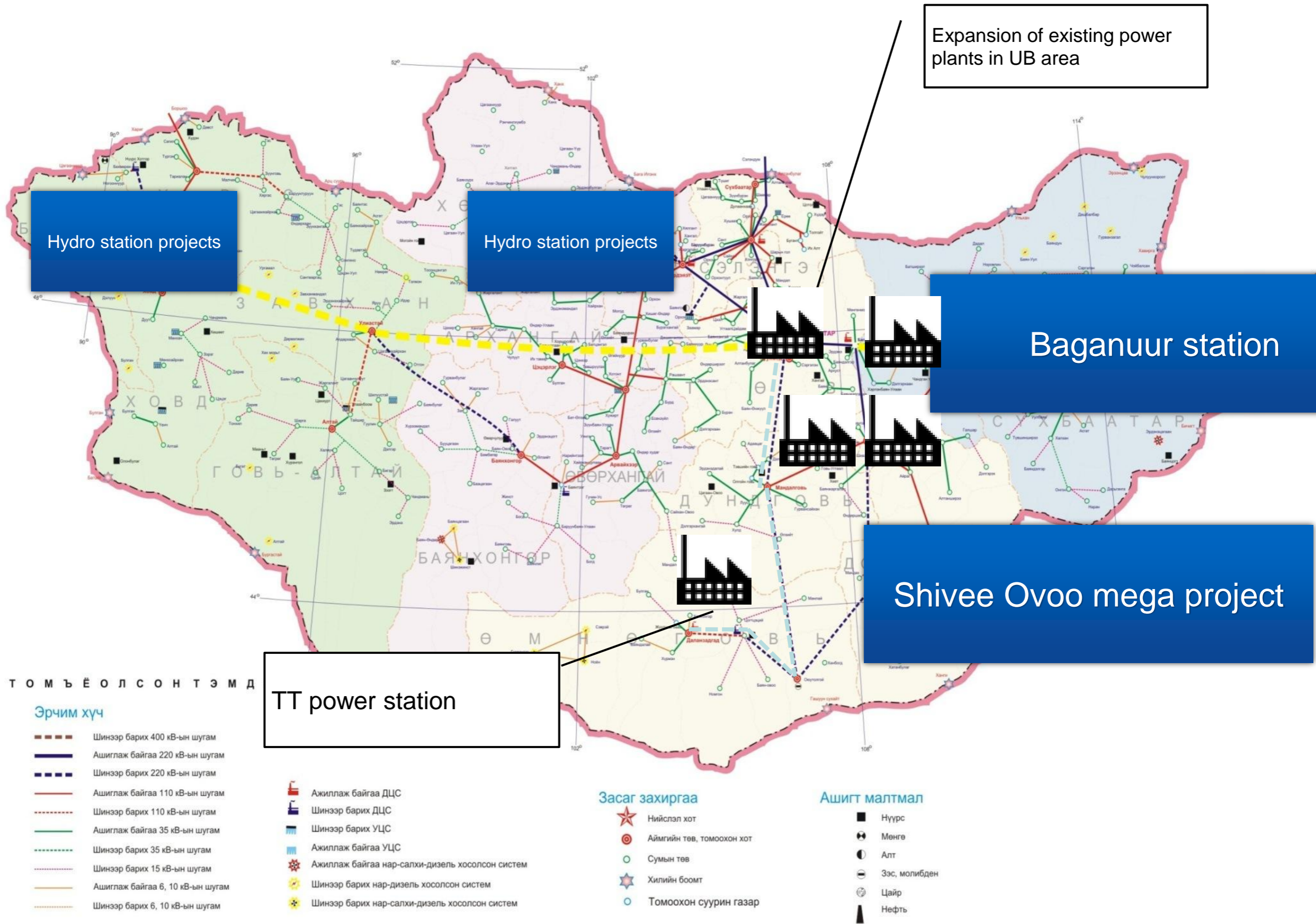
Mongolia is completing national highway network West-East



- - Одоо байгаа төмөр зам 1815 км
- - Одоо байгаа хатуу хучилттай авто зам 2621 км
- - Шинээр барих төмөр замын суурь бүтэц 1395 км
- - Шинээр барих хатуу хучилттай авто зам 5330 км

-  - Хатуу хучилттай хөөрч, буух нисэх зурвас бүхий нисэх буудал
-  - Хатуу хучилтгүй хөөрч, буух нисэх зурвас бүхий нисэх буудал

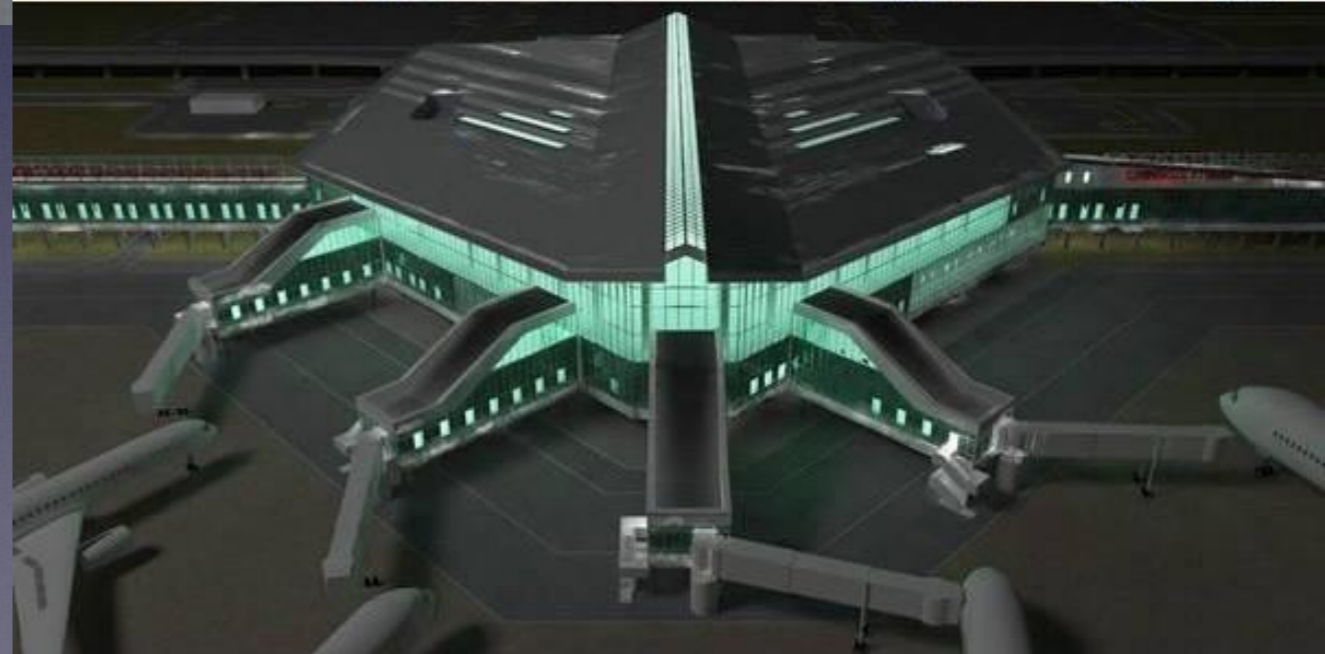
New planned capacities for energy



Tourism



New airport to go operational
in March 2020





- Service industry
- 79% of population lives in urban areas
- Growth of construction
- Explosion of retail trade : EMART, CU, CircleK, KFC and other franchises

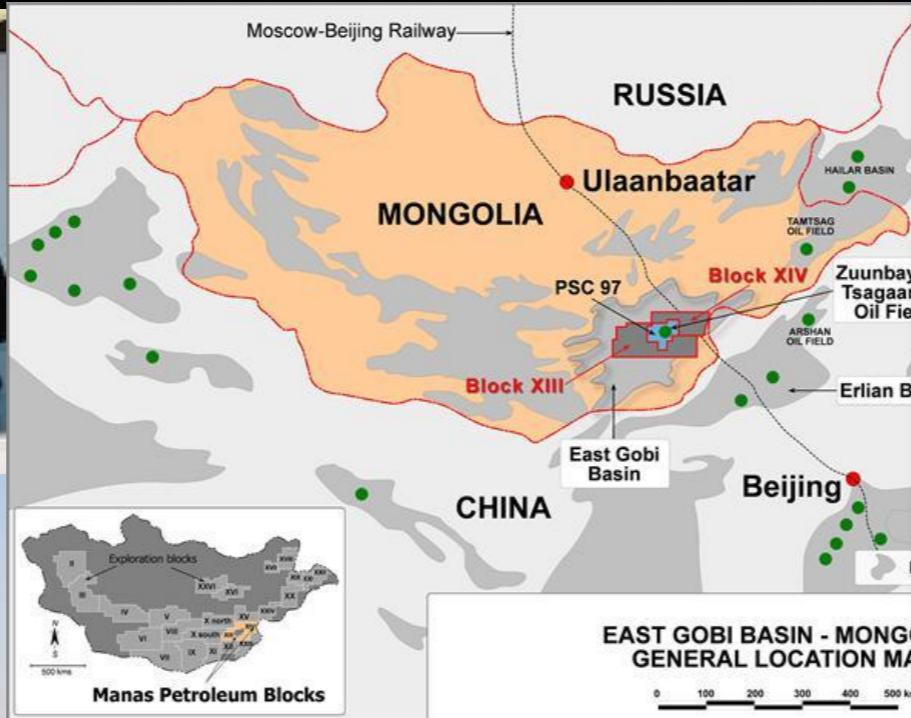


Production of cement in Mongolia

- Increased 4 times in last 4 years
- Fully self-sufficiency
- 4 million tonnes capacity (same as Austria, Switzerland)



Shainshand Oil Refinery



Engineers India Ltd (EIL) is providing consultation services to the Mongolian government for setting up a crude oil refinery in that country's Sainshand province.

EIL will provide project management consultancy (PMC) services to Mongol Refinery.

The Mongolia government is setting up the 1.5 million tonnes per annum greenfield crude oil refinery

Mongol Refinery State Owned LLC under a line of credit (LoC) extended by India.

1 billion USD project

It will produce 560,000 tons of gasoline, 670,000 tons of diesel fuel and 107,000 tons of liquefied gas annually. The refinery could boost Mongolia's GDP by 10 percent

Conclusion

- At the current moment, there is no perspectives for sharp increase in trade between counties
- however, tourism and border trade are developing gradually
- Fuel demand in Mongolia is heavily dependent on mining markets
- Joint Mongolia-India oil processing plant in Sainshand is aimed at reducing imports of fuel by 2021
- Mongolia's plans to increase electricity output will also reduce imports of electricity from Russia
- The bilateral trade growth is poised to slow down by 2021 unless some intense trade negotiations take place