



## Asia-Pacific Trade Briefs

### Mongolia

**Merchandise trade:** Merchandise trade accounted for 79.6% of the country's total trade in 2015. However, most of the country's exports come from its primary sector as the country is estimated to have US\$1.3 trillion in mineral deposits. Therefore, the economy is vulnerable to volatile world commodity prices and this is reflected in its extremely volatile trade patterns. Merchandise exports grew by 12.7% on average during 2010-2015, which was largely attributable to the export growth in value terms before 2012 when world commodity prices started to collapse. In 2015, exports fell sharply by 19.1% compared with the Asia-Pacific region's average contraction of 9.7%. Copper ores – which alone accounted for 51.9% of exports – coal, gold and petroleum oils are among the country's major export goods. Falling mining commodity exports, especially for copper and coal to China, and falling world commodity prices largely contributed to the drop in the value of exports. On the other hand, merchandise imports, which comprise petroleum oil, motor vehicles and electrical energy, also fell sharply in 2015 by 27.5%. This was a much greater decline than the Asia-Pacific region's average fall at 15%. The drop in imports was contributed to lower world crude oil prices, while a depreciating Mongolian Tugrik made imports more expensive and reduced demand for imports.

**Services trade:** The services trade share of total trade in 2015 reached 20.4%. Services exports grew by 6% per year during 2010-2015 and more robustly by 12.8% in 2015 compared to the Asia-Pacific region's average export decline of 4.8%. Transportation, infrastructure, finance and insurance services are the major components of services trade for Mongolia. Meanwhile, services imports in 2015 fell sharply by 28.9% compared to an average growth rate of 14.6% during 2010-2015. Falling transportation and infrastructure services imports were the most significant, and were linked to falling total exports and investments in its declining mining industry.

**Intraregional trade:** In 2015, 87.8% of Mongolia's goods exports went to the Asia-Pacific economies. China is, by far, Mongolia's largest intraregional export partner, accounting for 84.8%. Meanwhile, 87.2% imports in goods were with other Asia-Pacific economies, with China (43.5%) and the Russian Federation (30.9%) as the main intraregional import partners.

**Foreign direct investment (FDI):** FDI has played a critical role in the rapid economic growth of Mongolia. Mining industry has been the most FDI attractive sector. In addition, the growing domestic economy has attracted foreign investment into services especially, construction and financial services. However, as a net recipient of FDI inflows, since 2011 the economy has seen inflows steadily collapsing in conjunction with unfavourable developments in world commodity prices. In 2015, inflows contracted sharply by 48.9% and, on average, during 2010-2015 by 35.1%. The lack of a diversified goods mix due to over-reliance on raw commodities, leading to price volatility, is the major obstacle to Mongolia becoming a relatively stable investment destination. Instability of economic policies and regulations, location, corruption and an underdeveloped transportation system present other important challenges.

**Tariffs:** In 2013, average applied and effectively applied MNF tariffs were 5% and 4.9%, respectively, which was somewhat lower than the average of 6.9% and 5.9%, respectively, for Asia-Pacific economies. Average MFN bound duty, at 18%, is also lower than the Asia-Pacific average of 20%. With a binding coverage at 1000% of tariff lines compared with the Asia-Pacific economies' average of 84.9%, tariffs do not appear to form a substantial component compared to the non-tariff component in trade costs for Mongolia.

**Trade costs:** Trade costs incurred by Mongolia in reaching the major trading economies of Asia and the Pacific (China, India, Indonesia and the Russian Federation) remained considerably higher compared with the most efficient major traders in Asia and the Pacific, and increased slightly during 2009-2013. Trade costs for Mongolia are, on average, almost three times as high as those for East Asia-3 and two times for the European Union-3.

**Trade agreements:** Mongolia has only one preferential trade agreement (PTA) in force, compared with the Asia-Pacific average per country of 7.6 agreements. Only 0.4% of the country's total exports are directed to its PTA partner, compared with 33.3% for the Asia-Pacific region, while 5.2% of total imports come from the country's PTA partners, compared with 44%, on average, for the Asia-Pacific region.

Figure 1. Key trade and investment indicators

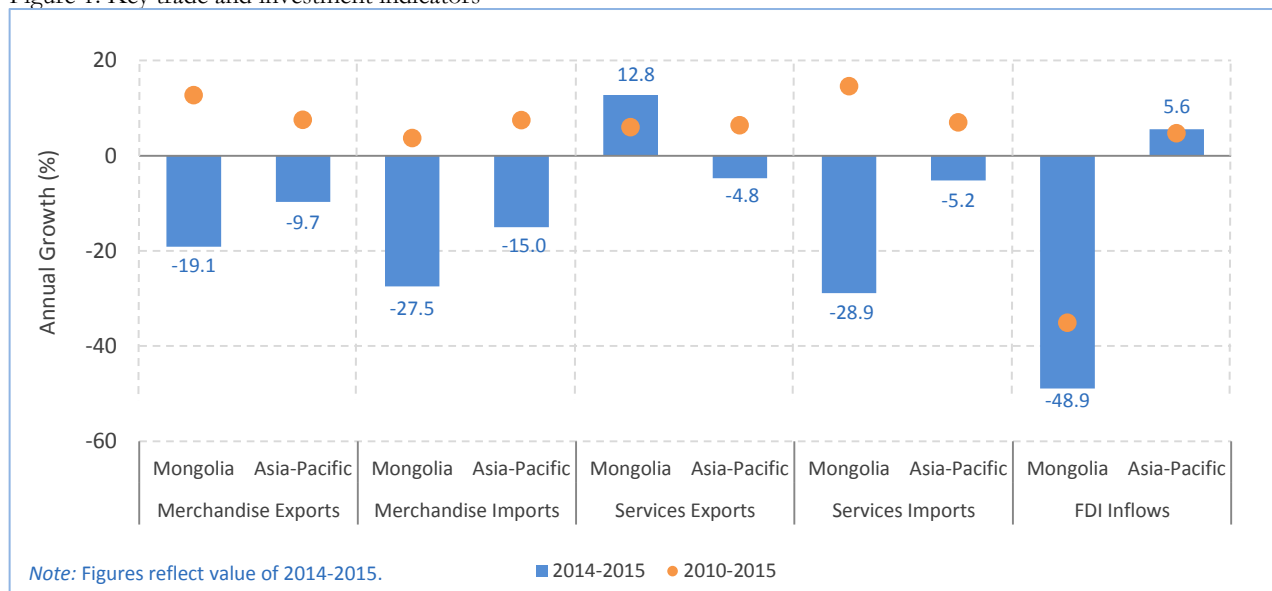


Figure 2. Top merchandise markets

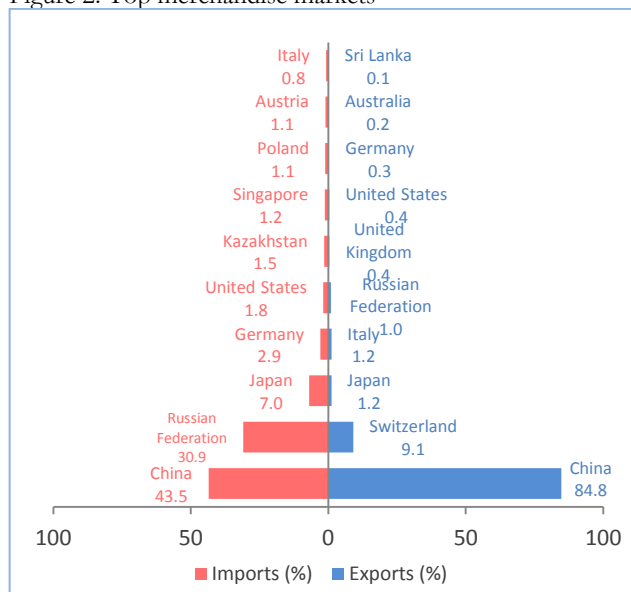


Figure 3. Top merchandise products

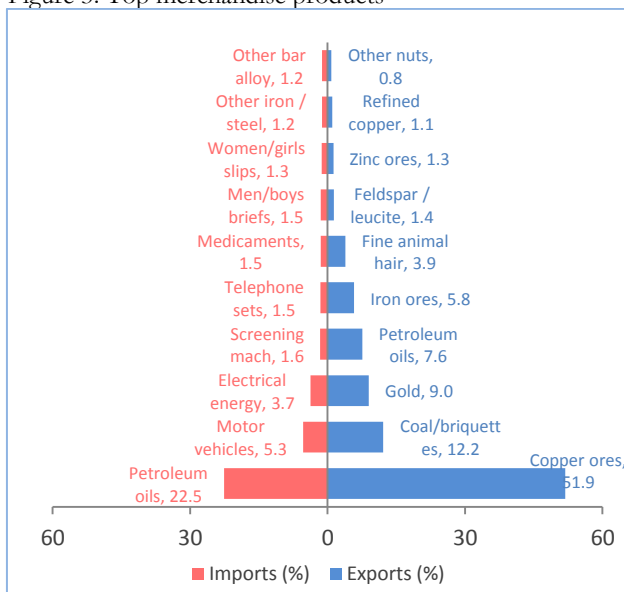


Figure 4. Trade within region and rest of the world

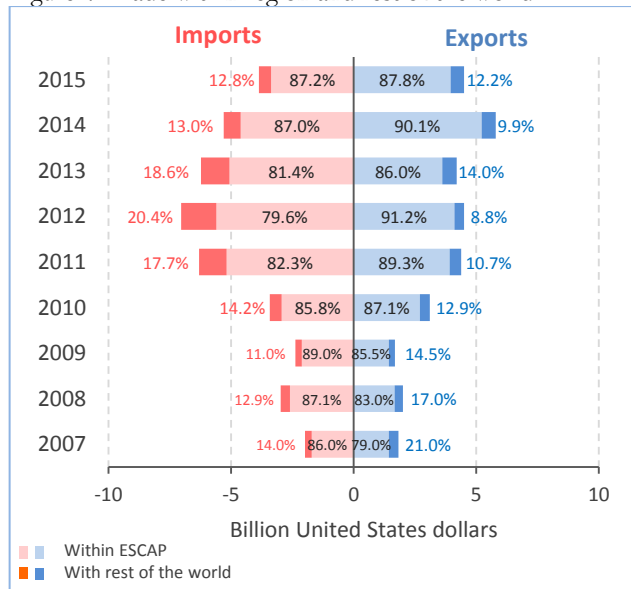


Figure 5. Foreign direct investment

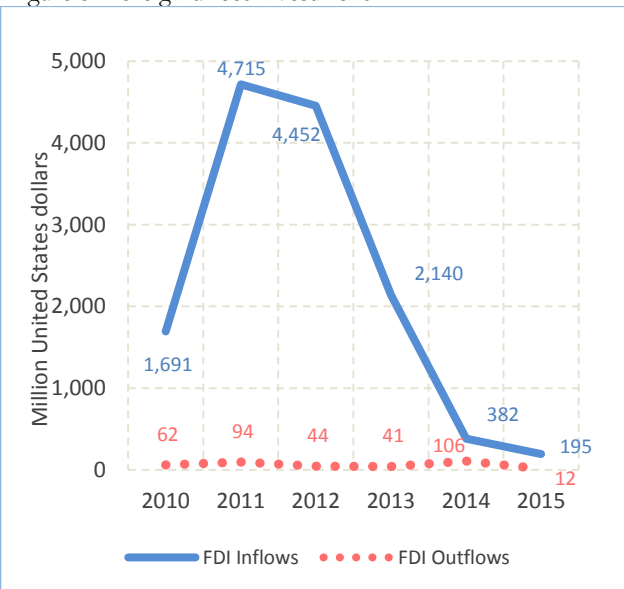


Figure 6. Tariffs (as of 2013)

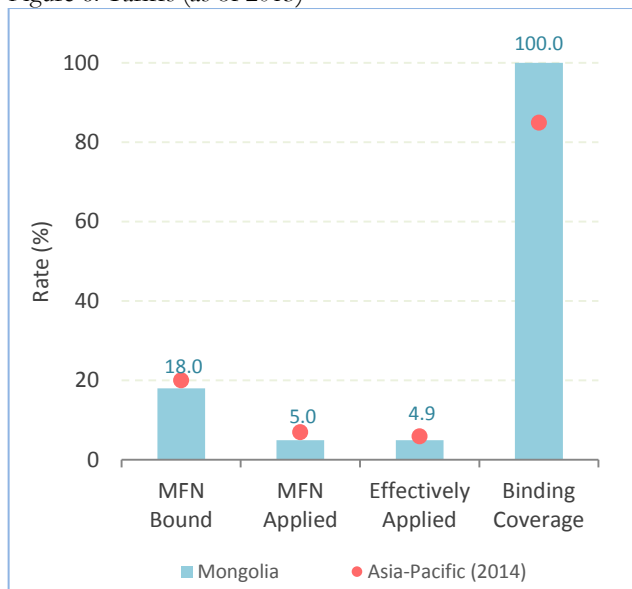
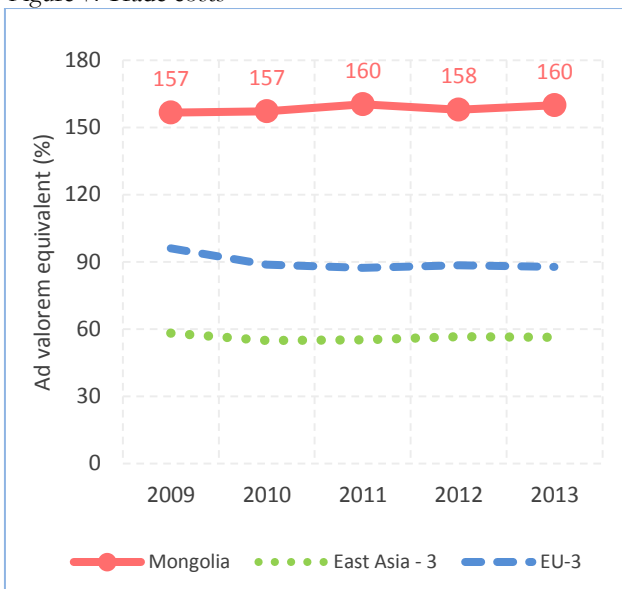


Figure 7. Trade costs



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