

# Trade Challenges Facing LLDCs: How the ITT-LLDCs could respond to these issues

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# Challenges and specific needs facing LLDCs...

- + Lack of access to the sea, remoteness from major markets, small populations and equally small markets.
- + Compounded by additional border crossings, cumbersome transit procedures, inefficient logistics systems, weak institutions and poor infrastructure.
- + Serious constraints on overall socio-economic development, including trade competitiveness.

# Challenges and specific needs facing LLDCs...

- + 16 out of 32 LLDCs are least developed
- + Most LLDCs fully depend on raw materials and minerals exports and finished products and foods imports.
- + LLDCs- affected by steep drop in prices of minerals and raw materials in immediate and third neighbours. (Mongolia's case)

## Challenges and specific needs facing LLDCs...

- + The heavy reliance of LLDCs on imports - trade deficits.
- + Ideas of export diversification and value-added processing, but;
- + Less FDI

# Case Mongolia

- + Mongolia sources 95 percent of its petroleum and substantial amount of electric power from Russia.
- + Trade with China represents more than half of Mongolia's total external trade.

# Case Mongolia

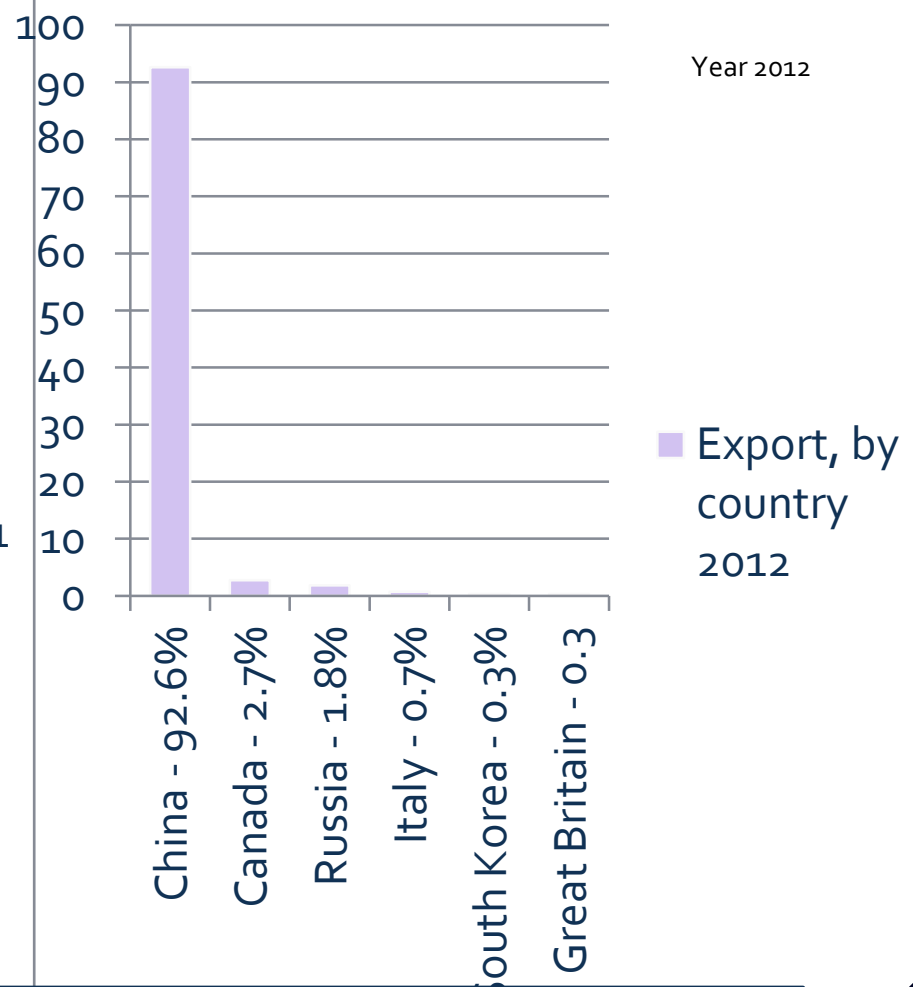
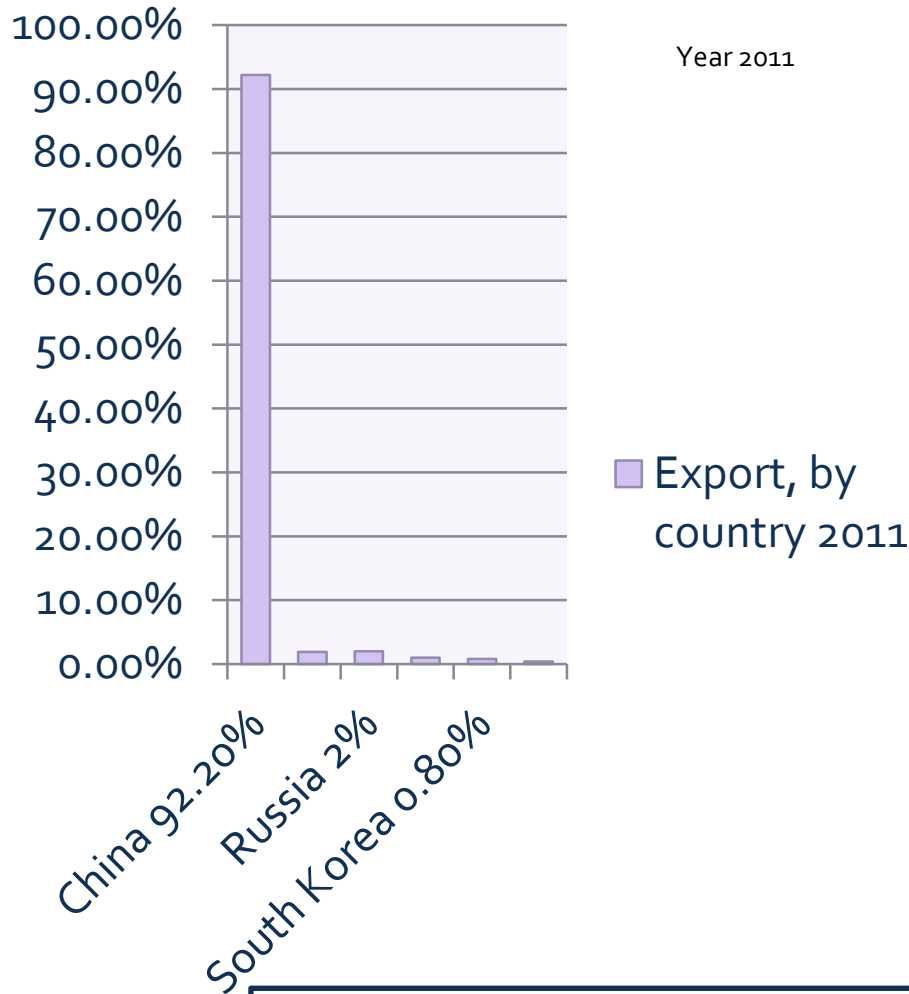
- + The trade balance is negative due to high imports.
- + Besides Russia and China, the USA, Japan, South Korea, Germany, Canada, Italy and the Great Britain - the main trade partners.
- + Minerals form 88% of total export in 2013.
- + Mining sector represents 57.2% of total production.
- + But only 4.4% of total employment.

## Foreign trade of Mongolia 2011-2013 statistics /million USD/

Type	2013	2012	2011	Change			
				2013/2012		2012/2011	
				Amount	Per cent	Amount	Per cent
<b>Total turnover</b>	10,627.4	11,123.0	11,415.9	(495.7)	-4.5%	(292.9)	-2.6%
<b>Export</b>	4,272.7	4,384.7	4,817.5	(112.0)	-2.6%	(432.8)	-9.0%
<b>Import</b>	6,354.7	6,738.3	6,598.4	(383.7)	-5.7%	(139.9)	2.1%
<b>Balance</b>	-2,082.0	-2,353.6	-1,780.9	271.7	-11.5%	572.7	32.2%

*Source: Trade Balance Review of Central Bank of Mongolia*

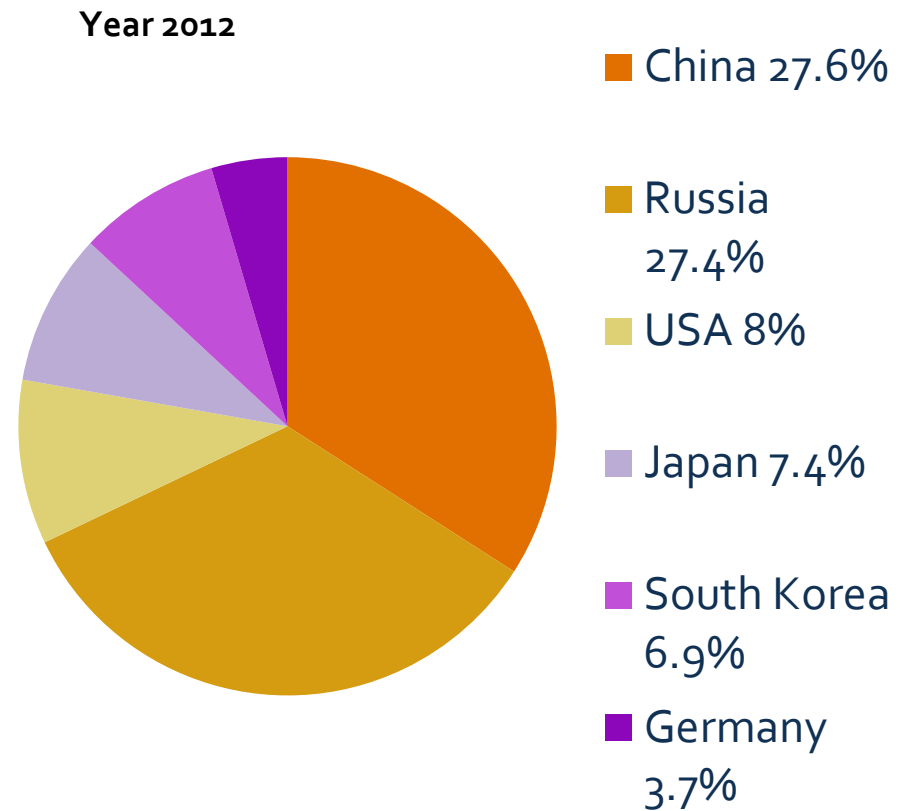
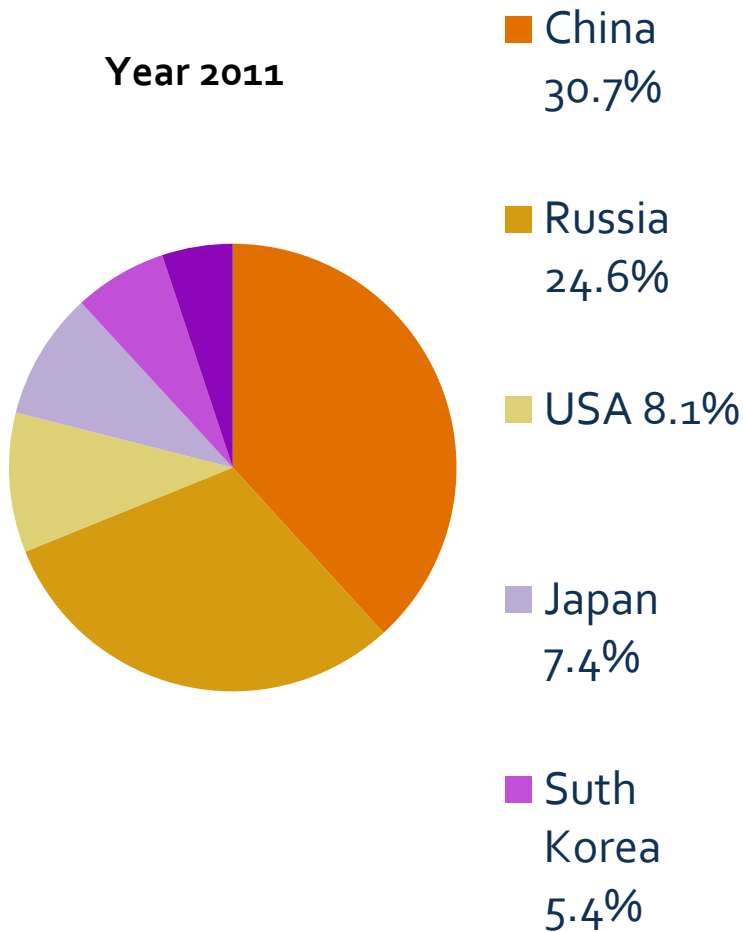
# Importers FROM Mongolia, by country (2011, 2012)



Source: NSO Mongolia and General Customs office of Mongolia



# Exporters TO Mongolia, by country (2011, 2012)



Source: NSO Mongolia and General Customs office of Mongolia

# Case Mongolia

- + Currently no added value to livestock raw material
- + Promoting livestock value added production where Mongolia can gain more benefit than that from the mining sector.
- + Possible creation of more employment compared to the mining sector.

# Livestock raw material resources of Mongolia

Raw material	Volume produced per year
<b>Skins &amp; hides</b>	<b>10 mil.pcs</b>
<b>Fresh milk</b>	<b>511 mil.litr</b>
<b>Cashmere</b>	<b>6,000 TН</b>
<b>Wool</b>	<b>19,000 TН</b>



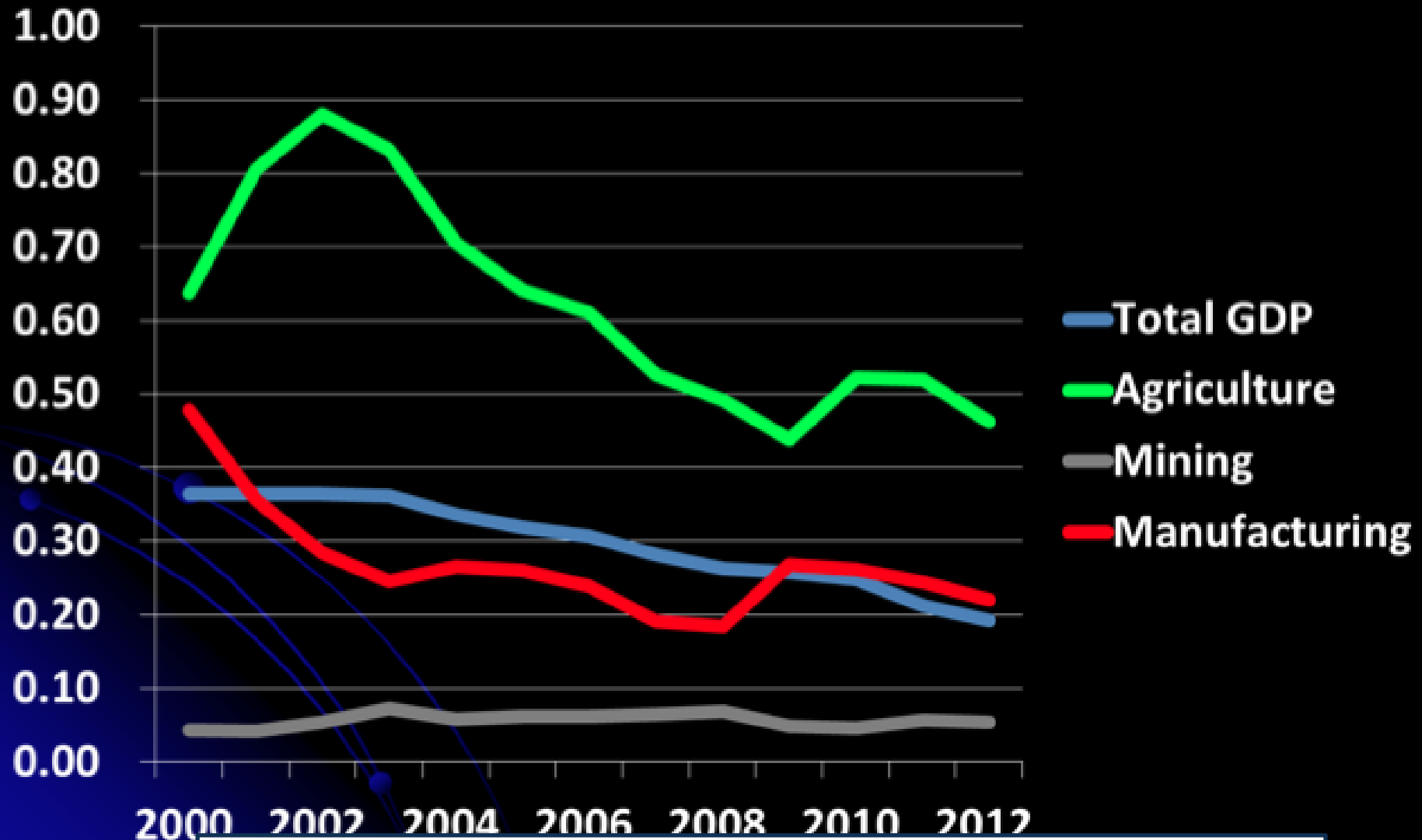
Processing today	
<b>10-15 %</b>	<b>1-1,5 mil.pcs. leather</b>
<b>10,4%</b>	<b>53,2 mil.litr processed liquid milk</b>
<b>20%</b>	<b>1,200 tons processed to make final goods</b>
<b>30%</b>	<b>5,700 tons processed: semi/ final processing,</b>
<b>0,23%</b>	<b>437 tons for final goods</b>

# How much value Mongolia forego from 4 million pieces of goat skin?

Product	Value Addition per Skin	Domestic Use (pieces)	Export (pieces)	Earning of Mongolian Manufacturers	Earning of Foreign Manufacturers
Goat skin		4 million	0		
Wet blue	\$2-2.5	400,000	3.6 million	\$800,000-\$1 million	\$7.2 million-\$9 million
Dried crust	\$2-2.5	400,000	3.6 million	\$800,000-\$1 million	\$7.2 million-\$9 million
Finished leather	\$2-2.5	400,000	3.6 million	\$800,000-\$1 million	\$7.2 million-\$9 million
				<b>\$2.4 million-\$3 million</b>	<b>\$21.6 million-\$27 million</b>

Source: Asian Development Bank review on Mongolia, 2013

# Job generation from output worth million MNT



Source: Asian Development Bank review on Mongolia, 2013

# In order to overcome geographical disadvantage of LLDCs...

We need:

- + Concerted action towards joining the international trade system
- + Cooperation with transit developing partners
- + Support from the international community and development partners
- + Better involvement of private sector

## In addition, we need:

- + Multidimensional approaches- implementation of policies and measures aimed at economic restructuring
- + The development of productive capacities
- + Export-led growth, diversification of higher-valued added activities and destinations of imports and exports.
- + Greater engagement in regional and global trade

# Achievements by LLDCs so far...

- + The close linkage between transport and transit costs, international trade and economic growth
- + LLDCs took an increasingly active role in multilateral, regional and bilateral discussions and negotiations
- + LLDCs have been successfully undertaking important policy reforms to remove physical and non-physical barriers
- + While some progress has been recorded, the progress and implementation of the agreements have been slow



# How the ITT-LLDCs could respond to the issues...

- + Providing support for strategic interventions
- + Providing a platform for knowledge sharing, support for intra-LLDC collaboration, other South-South engagements and global cooperation
- + Online portal for exchanging views and providing the best practices to LLDCs
- + Providing support to challenges based on evidence-based researches
- + Organizing high-level expert group meetings and workshops

# Thank you for your attention

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