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.
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 /

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<tr>
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<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Per cent</td>
<td>Amount</td>
<td>Per cent</td>
<td>Amount</td>
</tr>
<tr>
<td>Total turnover</td>
<td>10,627.4</td>
<td></td>
<td>11,123.0</td>
<td></td>
<td>11,415.9</td>
</tr>
<tr>
<td></td>
<td>11,415.9</td>
<td></td>
<td>495.7</td>
<td>-4.5%</td>
<td>292.9</td>
</tr>
<tr>
<td>Export</td>
<td>4,272.7</td>
<td></td>
<td>4,384.7</td>
<td></td>
<td>4,817.5</td>
</tr>
<tr>
<td></td>
<td>4,817.5</td>
<td></td>
<td>112.0</td>
<td>-2.6%</td>
<td>432.8</td>
</tr>
<tr>
<td>Import</td>
<td>6,354.7</td>
<td></td>
<td>6,738.3</td>
<td></td>
<td>6,598.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>383.7</td>
<td>-5.7%</td>
<td>139.9</td>
</tr>
<tr>
<td>Balance</td>
<td>-2,082.0</td>
<td></td>
<td>-2,353.6</td>
<td></td>
<td>-1,780.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>271.7</td>
<td>-11.5%</td>
<td>572.7</td>
</tr>
</tbody>
</table>

*Source: Trade Balance Review of Central Bank of Mongolia*
Importers FROM Mongolia, by country (2011, 2012)

Year 2011

- China: 92.6%
- Russia: 2%
- South Korea: 0.8%

Year 2012

- China: 92.6%
- Canada: 2.7%
- Russia: 1.8%
- Italy: 0.7%
- South Korea: 0.3%
- Great Britain: 0.3%

Source: NSO Mongolia and General Customs office of Mongolia
Exporters TO Mongolia, by country (2011, 2012)

Year 2011
- China: 30.7%
- Russia: 24.6%
- USA: 8.1%
- Japan: 7.4%
- South Korea: 5.4%

Year 2012
- China: 27.6%
- Russia: 27.4%
- USA: 8%
- Japan: 7.4%
- South Korea: 6.9%
- Germany: 3.7%

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

<table>
<thead>
<tr>
<th>Raw material</th>
<th>Volume produced per year</th>
<th>Processing today</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skins &amp; hides</td>
<td>10 mil.pcs</td>
<td>1-1,5 mil.pcs. leather</td>
</tr>
<tr>
<td>Fresh milk</td>
<td>511 mil.litr</td>
<td>53,2 mil.litr processed liquid milk</td>
</tr>
<tr>
<td>Cashmere</td>
<td>6,000 ｔｕ</td>
<td>1,200 tons processed to make final goods</td>
</tr>
<tr>
<td>Wool</td>
<td>19,000 ｔｕ</td>
<td>5,700 tons processed: semi/ final processing, 437 tons for final goods</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance of Mongolia, 2013
How much value Mongolia forego from 4 million pieces of goat skin?

<table>
<thead>
<tr>
<th>Product</th>
<th>Value Addition per Skin</th>
<th>Domestic Use (pieces)</th>
<th>Export (pieces)</th>
<th>Earning of Mongolian Manufacturers</th>
<th>Earning of Foreign Manufacturers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goat skin</td>
<td></td>
<td>4 million</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wet blue</td>
<td>$2-2.5</td>
<td>400,000</td>
<td>3.6 million</td>
<td>$800,000-$1 million</td>
<td>$7.2 million-$9 million</td>
</tr>
<tr>
<td>Dried crust</td>
<td>$2-2.5</td>
<td>400,000</td>
<td>3.6 million</td>
<td>$800,000-$1 million</td>
<td>$7.2 million-$9 million</td>
</tr>
<tr>
<td>Finished leather</td>
<td>$2-2.5</td>
<td>400,000</td>
<td>3.6 million</td>
<td>$800,000-$1 million</td>
<td>$7.2 million-$9 million</td>
</tr>
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</table>

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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