

Scenarios for Mongolia

Mongolia Economic Forum
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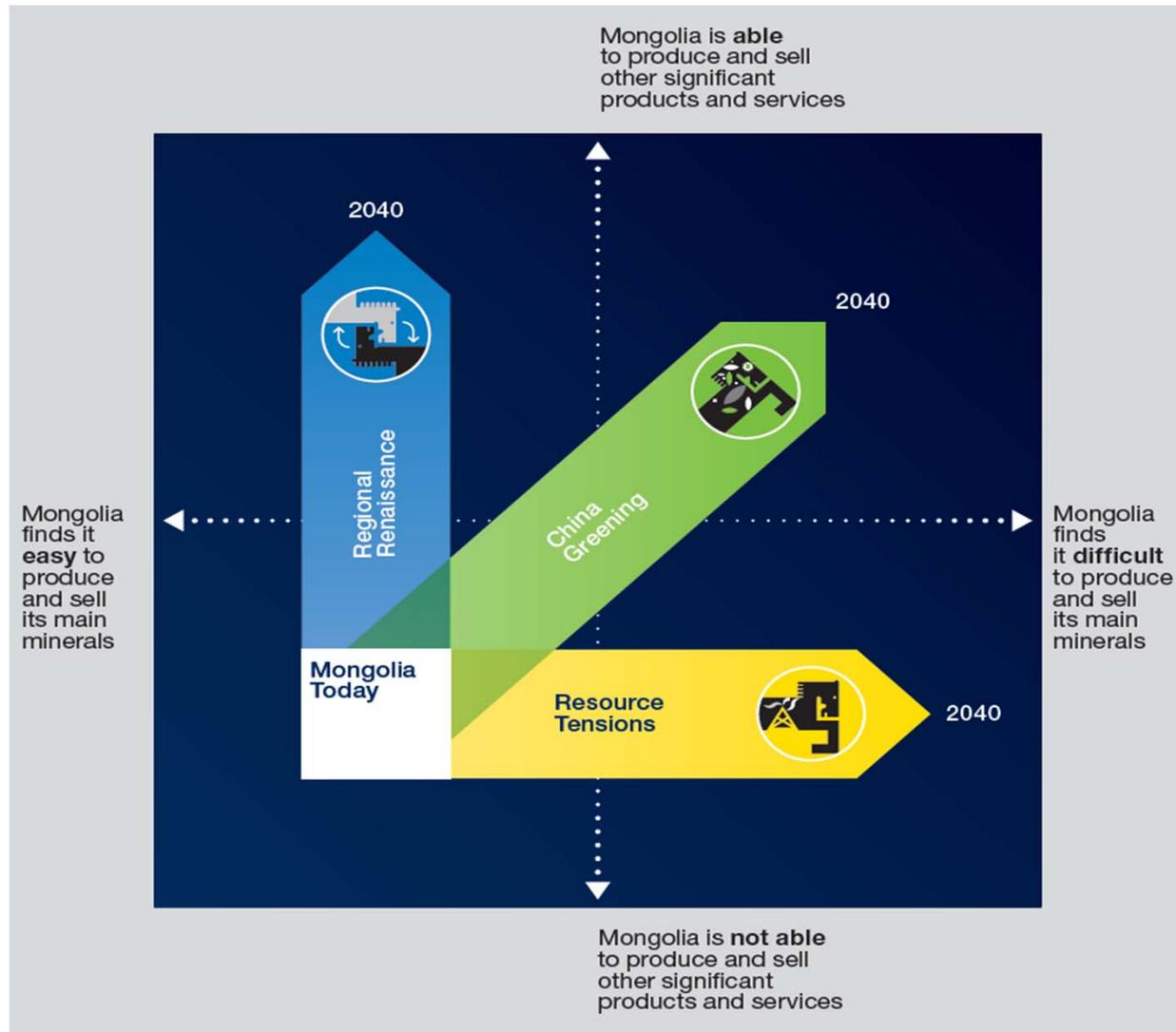
Strategic Decisions for Mongolia

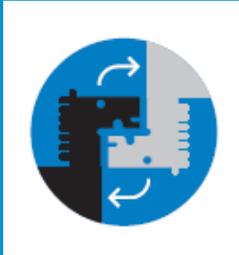
Charting a course for Mongolia's long-term sustainable and diversified growth

1. How should the **development of the mining industry and its potential revenues** be managed to maximize their benefit to the country?
2. What forms of **economic diversification** should be pursued and how?
3. What **trade and investment relationships** will be needed to achieve both?



Scenarios for Mongolia





Regional Renaissance

Mongolia finds it easy to produce and sell its main minerals and expand into other products and services.

By 2040, **Mongolia's neighbours** are much more politically and economically **integrated**. Trade, capital, people and knowledge flow easily across borders throughout **North-East Asia**, including provinces in eastern Russia. Closer cooperation has spurred **strong regional economic growth**.

This scenario gives Mongolia **unprecedented opportunities to sell its main minerals, as well as other goods and services**. However, it **also poses risks**: Can Mongolia avoid Dutch disease, environmental damage and social unrest caused by increasing gaps between rich and poor and the erosion of traditional lifestyles?



China Greening

Mongolia finds it difficult to produce and sell its main minerals, but is able to expand into other products and services.

By 2040, **China** has **led the way** regionally in introducing **green policies, pioneering new technologies and cleaner production processes**. It has accepted more **modest economic growth** as a trade-off for more **sustainable development** that includes greater social stability and an improved environmental quality of life.

Over time, this has made it **difficult for Mongolia to sell its main minerals** as environmental and social costs rose and demand fell. However, this scenario **provides Mongolia with interesting opportunities to diversify into green and higher value products and services** – with the challenge of long lead times to develop these opportunities.



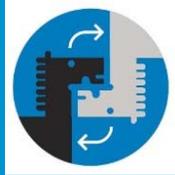
Resource Tensions

Mongolia finds it difficult to produce and sell its main minerals and is unable to expand into other significant products and services.

By 2040, the **region is fragmented, geopolitically tense and struggling economically**. Natural resources are used for political leverage, which has impacted demand for Mongolia's main minerals. Often driven by left- or right-wing populism, nation states pursue their own interests. Investors prefer to keep their funds in countries, which pose lower risks of conflict and unrest.

This scenario is **challenging for Mongolia**, which faces **difficulties in accessing the finance and expertise necessary to unlock its mineral wealth or develop other economic sectors**. More positively, Mongolia has the opportunity to retain a level of independence in the region and play an active role in addressing regional tensions.

1. How should the **development of the mining industry and its potential revenues** be managed to maximize their benefit to the country?



- Ensure **good macroeconomic management**
- Have good **environmental management** of mining operations



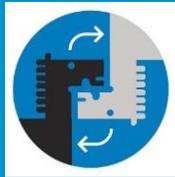
- **Produce and sell** the country's main minerals as **quickly as possible**
- Have good **environmental management** of mining operations
- Explore mining opportunities for **green products** (such as rare earths)



- **Produce and sell** the country's main minerals as **quickly as possible**
- **Pursue long-term contracts** in selling mechanisms and in mineral development investment

- Create a **good investment and business climate**, agreed with the public
- Invest in **flexible infrastructure** that produces high returns on investments
- Develop a **sovereign wealth fund** that can operate as an investment fund or development fund

2. What forms of **economic diversification** should be pursued and how?



- Explore diversification into products and services with a **regional comparative advantage**



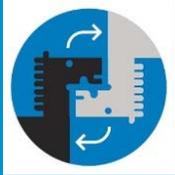
- Explore diversification into **high-end eco-products and services**



- Explore diversification into **high value, low cost products and services**

- Create a good **enabling environment** (developing institutions and regulations, investing in education and infrastructure) to encourage private sector activity in diversification
- **Support industries, which require significant development and long lead times**

3. What **trade and investment relationships** will be needed to achieve both?



- Develop a **green profile** to attract relevant investors
- Consider bilateral relations with Chinese and global firms to **join green industry supply chains**

- Pursue long-term partnerships and joint ventures with **international investors**
- Expand trade relationships with the ethnic Mongolian **diaspora** in Russia and China

- **Actively engage** with neighbouring countries, multilateral institutions, development banks to be included in emerging regional political, economic and investment opportunities
- **Secure agreements now** on trade, investment and free movement of people to secure relations for the long term

More information



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