World Scenario Series

Scenarios for Mongolia

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Preface

Klaus Schwab
Founder and Executive Chairman
World Economic Forum

Just two decades ago, following the collapse of the Soviet Union, Mongolia faced economic hardships as vast and formidable as its mountainous terrain and cold desert steppes. But after centuries of nomadic life eked out in harsh climes, the Mongolian people are nothing if not resilient.

Over the course of the 1990s, this country of under three million inhabitants – which finds itself nestled between the Russian Federation and the People's Republic of China – successfully completed a double transition from a centrally-planned economy under one-party rule to a market economy and vibrant multi-party democracy.

The economic turning point for Mongolia was the discovery of immense mineral wealth around the turn of the millennium, with the booming economy of its neighbour to the south providing a ready market for exports. Mongolia is today one of the fastest-growing economies in the world.

Expansion in Mongolia's mining sector has already changed the face and course of economic development in the country. The natural gifts buried underfoot give Mongolia considerable scope to author its future, but deciding how best to exploit those gifts requires grappling with uncertainties about the future direction of the region and the world.

Scenarios are a proven approach for exploring uncertainties to better inform current decision-making. The World Economic Forum is honoured to be hosting the scenarios process described in this document. I hope the process will continue to play a useful role in helping Mongolia's leaders chart a prosperous course in the decades ahead.

Foreword

Mongolia, with a population of 3 million people – residing on a territory the size of Western Europe – and natural resources worth US$ 3 trillion, is emerging as a vibrant democracy and aspiring market economy. We own a bright future if, among a few other factors, we manage these resources wisely to benefit present and future generations.

The Government of Mongolia has collaborated with the World Economic Forum on this Scenarios for Mongolia project, engaging more than 250 experts and stakeholders in the Mongolian economy, to stimulate thought and discussion among decision-makers, businesses and the wider public. Scenarios are not predictions; they are a tool to help us perceive the risks, uncertainties, challenges and opportunities realistically, and to develop the appropriate approaches and solutions with aptitude.

The scenarios presented in this report suggest possible future contexts for Mongolia by 2040. While it seems a long way away, mining projects and other opportunities for diversification have long lead times. Yet, this exercise has encouraged us to take a long-term perspective and vision on many projects, with far-reaching implications for Mongolia's economic sustainability and prosperity.

H.E. Mr. Tsakhiagiin Elbegdorj, President of Mongolia

Executive Summary

Mongolia's economic potential is significant, with vast deposits of copper and coking coal situated close to its main market in China. However, this potential is vulnerable as the country is increasingly reliant on two main commodities being exported to one country, making Mongolia susceptible to external shocks such as changes in commodity prices and demand in China.

Charting a course for the country from mineral wealth to long-term sustainable and diversified growth is a key task facing Mongolia's leaders. Throughout 2013, the World Economic Forum engaged over 250 stakeholders and experts in a dialogue to explore three key strategic decisions on this path:

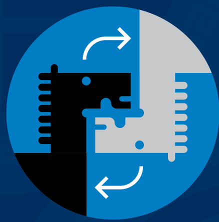
1. **How should the development of the mining industry and its potential revenues be managed to maximize their benefit to the country?**
2. **What forms of economic diversification should be pursued and how?**
3. **What trade and investment relationships will be needed to achieve both?**

Responding to these questions however, is not straightforward. Developments of mineral deposits and other diversified products and services require long lead times. This means the decisions must take into account not only present contexts but future ones, which are likely to be very different.

Future contexts will be shaped by highly uncertain forces in commodity demand and pricing, regional collaboration, mining investments, and social and environmental norms. These uncertainties will influence whether Mongolia finds it easy or difficult to produce and sell its main minerals (copper and coking coal) over the next few decades.

Similarly, uncertain forces influencing the ability of the country to access the necessary capital, knowledge and skills and compete in markets in which it has a competitive advantage will influence whether Mongolia is able to diversify its economy to produce and sell significant products and services beyond its main minerals.

The possible outcomes of these uncertainties are explored in three scenarios, helping Mongolia to learn and prepare for whichever future arises.



Regional Renaissance: North-East Asia becomes more politically integrated, with strong economic growth. This gives Mongolia the opportunity to sell its main minerals and achieve economic diversification, and the challenge of managing export revenues in a way that prevents economic overheating and social unrest.

China Greening: A revolution in environmental attitudes sees China lead the way in the "circular economy" and pioneering new products and services. This reduces demand for Mongolia's main minerals, but opens up new opportunities to diversify into green products and services.

Resource Tensions: Geopolitical tensions ravage the region; natural resources are used for political leverage, making trade difficult. Mongolia struggles to access finance and markets for its minerals and to pursue diversification opportunities, but this scenario presents opportunities to carve out a role as a neutral and respected neighbour.

These scenarios suggest policy responses relevant to all three strategic decisions, such as developing a good investment and business climate, with public buy-in, for both minerals and other sectors; designing a form of sovereign wealth fund that can operate as an investment fund or development fund as needed; and actively engaging with neighbours in the region to forge strong political and economic relationships.

The individual scenarios suggest interesting choices for Mongolia to consider, for example facilitating cross-border infrastructure for regional economic cooperation in *Regional Renaissance*; joining regional supply chains for green and sustainable industries in *China Greening;* and locking in long-term contracts to hedge against regional instability in *Resource Tensions.*

Strategic Decisions for Mongolia

Mongolia is blessed with resources: it is home to some of the world's largest reserves of copper, coking coal, rare earths and uranium. It also has demand on its doorstep: the vast copper deposits at the Oyu Tolgoi mine are located a mere 50 kilometres from the Chinese market.

However, these strategic advantages are also a major vulnerability. Mongolia increasingly depends on the export of two commodities, copper and coking coal, to primarily one customer – China. This makes Mongolia inherently vulnerable to external shocks such as changes in global commodity prices and demand in China.

Like any resource-rich country, Mongolia is also vulnerable to "Dutch disease", in which revenues from mineral exports force up the exchange rate, making exports from other sectors uncompetitive. This can lead to the "resource curse". Resource-rich countries can paradoxically end up with lower economic growth and worse development outcomes than economies with fewer natural resources.

Charting a course from mineral wealth to long-term sustainable and diversified growth is a key task facing Mongolia's leaders. In the coming decades, Mongolia's leaders will need to reconcile the aspirations of the people for independence with the needs of foreign investors to tap investment and expertise not available within Mongolia's borders. They will also need to balance the pull of a modern and connected urban economy with the desire to protect traditional rural lifestyles and national culture. In addition, they will need to manage social and environmental challenges to ensure growth is inclusive and benefits future as well as current generations.

Mongolia's future prosperity thus rests on defining a consensus vision of the kind of nation it wants to become and on building strong and transparent institutions that can implement policy to pursue this vision into the long term.

Defining the vision requires making key strategic decisions and understanding the future contexts within which these decisions will play out. Throughout 2013, the World Economic Forum engaged over 250 stakeholders and experts in a scenarios process to help Mongolia's leaders make their responses to these strategic decisions as durable and advantageous as possible, no matter which changes the future might bring.

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

The mining industry could potentially transform the country's economic situation. The sector already accounts for nearly 90% of the country's exports and the foreign direct investment (FDI) it attracts amounted to nearly 50% of government revenues in 2011. When the Oyu Tolgoi copper mine is fully operational, it is expected to contribute 30% of Mongolia's GDP.[1] However, this potential cannot be taken for granted, as was seen with the significant drops in FDI over the past couple of years: a fall of 17% in 2012, accelerating in 2013 to a 41% drop in January and a 74% decrease in February.[2]

While the mining sector in Mongolia is still in a relatively nascent state of development, the scenarios process offers an invaluable opportunity to explore key questions about Mongolia's future context and to incorporate the knowledge into the way in which the industry is managed for sustainable growth.

For example, at what speed should licences be generated and the sector developed? What policies will be necessary to enable the industry to address the good and the more challenging times? How might changes in mineral demand be anticipated and prepared for? How might the changing social and environmental norms be addressed? And what role should the government play in the sector (as regulator or as owner as well)?

Another key question is how to involve the public in developing the industry. The Mongolian public has strong reservations about the amount of foreign ownership that could be necessary to access the technologies, investment and skills to develop the industry. For example, an April 2013 nationwide perception survey found that almost 85%

of respondents said that Mongolia's strategic mine deposits should be either majority (60%) or fully (25%) owned by Mongolians.[3]

Additional questions arise with regard to managing the potential revenues from mining. Can it be assumed the revenues will exist sufficiently in the long term to support the economy and the people's livelihoods? If so, how might they be invested and managed? How might the government manage the tension between spending in the short term to show visible and immediate benefits, and investing to secure the country's long-term future?

Strategic Decision 2: What forms of economic diversification should be pursued and how?

Although Mongolia's non-mineral exports have been growing, they accounted for only 12% of total exports in 2013 (of which cashmere made up 40%).[4] The manufacturing sector is growing, but accounted for only 5% of GDP in the first half of 2013.

Any country that relies heavily on export income from mineral deposits is vulnerable to shocks. As Figure 1 shows, Mongolia suffered more from the commodity market downturn of recent years than other, more diversified resource-exporting Asian economies.

At this early stage of development, the choices business and policy leaders make today regarding economic diversification will have major implications for the composition of Mongolia's economy tomorrow.

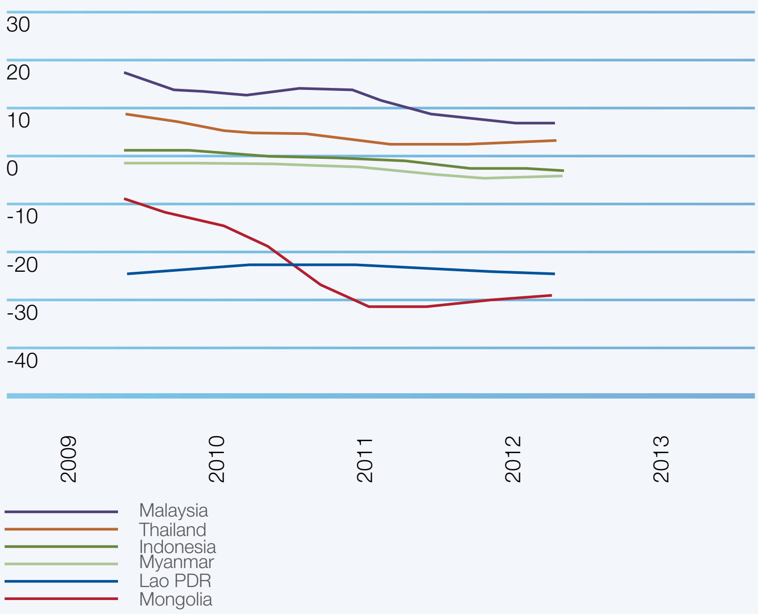
But what products and services might be in demand in the future that represent significant opportunities for Mongolia? What demand will key trading partners have for higher value-added Mongolian products and services in areas such as textiles, agriculture, culture and information technology? And what completely new opportunities might emerge, given changes in the region and beyond?

How diversification should be pursued raises additional questions. Should the government focus solely on creating investment-friendly conditions, spending on physical infrastructure and education and building strong, transparent and credible institutions and respect for property rights? Or should it pursue a strategy of "picking winners" – nurturing specific sectors in which the country has a potentially competitive advantage? The latter option would require more outside knowledge and longer lead times.[5]

Strategic Decision 3: What trade and investment relationships will be needed to achieve both?

More than any other Asian economy, Mongolia is dependent on one market – China.[6] China is the destination for over 80% of Mongolia's exports, the source of 45% of its imports and 49% of FDI.[7] Being next door to the world's largest market presents a tactical advantage and tremendous opportunities, but also means the country's economic performance is tightly coupled with that of China. This makes it important for Mongolia to understand emerging developments in China and what trade and investment opportunities they raise.

Figure 1: Current Account Balance to GDP ratio, %



Source: World Bank, Mongolia Economic Update, November 2013

To diversify trade and investment, it will be equally important to ask what opportunities the broader region might hold in the future. How might Mongolia pursue the economic and political relationships necessary to prosper in the region and beyond? What opportunities does the Mongolian diaspora offer? And what new and novel investment sources could emerge to support Mongolia's development?

A long-term perspective can open up opportunities to see potential relationships differently from how they are perceived today. Re-examining the region with an eye to the future can proactively highlight the trade and investment relationships that will be advantageous to position the country strongly for long-term sustainable growth.

Critical Uncertainties

Deciding how best to respond to the questions, however, is not straightforward. Responses must take into account current circumstances as well as future ones, which are inherently uncertain.

Developments of mineral deposits and other diversified products and services require long lead times, often close to a generation. Over such long timeframes uncertainties grow, making it impossible to predict future contexts.

For example, highly uncertain forces in commodity demand and pricing, regional collaboration and integration, competition in mining investments, and social and environmental norms will influence whether Mongolia finds it easy or difficult to produce and sell its main minerals over the next few decades.

Similarly, uncertain forces influencing the ability of the country to access the necessary capital, knowledge and skills and compete in markets in which it has a competitive advantage will influence whether Mongolia is able to diversify its economy to produce and sell other significant products and services.

More details about these uncertainties can be found in the box on the next page.

In the absence of being able to predict how these uncertainties will play out, three scenarios have been developed of Mongolia's future contexts through to 2040. Each of the contexts explores a different combination of the uncertainties, enabling decision-makers to learn how they could unfold. In so doing, Mongolia's leaders can better address the strategic decisions and be prepared no matter what the future might bring.

Why Scenarios?

When situations are highly uncertain – such as Asia's future trajectory – it would be unwise to rely on predictions. Yet, it is necessary to assess what future contexts might look like to assist current decision-making. Scenarios provide this assessment. They are not forecasts but plausible views of different possible futures, opening up the understanding of how things could be.

Scenarios are not ends in themselves. They are a means to making more creative and robust strategic decisions, by providing different ways of framing the possible future contexts of a country, organization or group.

How easy will it be for Mongolia to produce and sell its main minerals?

The evolution of critical uncertainties in Mongolia's context could make it **easy** *for the country to produce and sell its main minerals.*

Strong rates of urbanization could mean global demand outpaces supply, keeping commodity prices high in the long term – Some analysts expect today's high copper prices to last into the long term, as urbanization in countries such as China continues to drive world demand.[8] The Chilean Copper Commission forecasts that by 2025, world copper demand (projected at 31.4 million MT) will still exceed the growth in supply expected in the short term (27.4 million MT). Supply may also weaken in the long term as copper grades decline and older operations in the United States, Argentina and Chile are decommissioned.[9] Demand and prices for coking coal may also be kept buoyant as China's inland cities consume more steel as they catch up with the development of China's coastal cities.[10]

Regional peace would promote trade and economic growth– The geopolitical context in which Mongolia operates will also impact its ability to produce and sell its main minerals. Fortunately, East Asia has been trending towards peace. Over the past 30 years, conflict-related deaths fell to 3.5% of the world's total, making East Asia less combative than Europe. Continued and strengthened peace in East Asia would promote trade and economic cooperation.[11]

Regional infrastructure investment could lead to strong local demand for minerals – Increasing regional collaboration and integration could in itself lead to higher levels of cross-border investment and greater demand for mineral resources. The Asian Development Bank Institute estimates that North-East Asia will invest US$ 61 billion in infrastructure in the next decade, creating strong demand for copper and coking coal.[12] Similarly, if North Korea re-joins the international community, it could drive demand for coking coal and copper as the country develops.

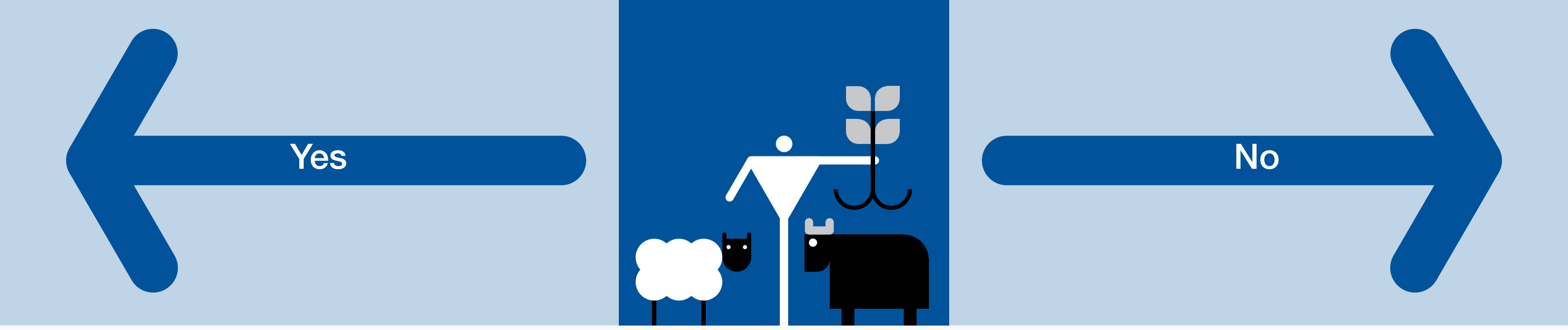
Alternatively, the evolution of critical uncertainties in Mongolia's context could make it **difficult** *for the country to produce and sell its main minerals.*

Slowing rates of urbanization and weak global growth could lead to surplus supply and falling commodity prices in the long term – A global copper surplus is expected in the short term as projects in Mongolia, Brazil, Peru, Chile, Zambia and Indonesia come on stream.[13] By some estimates, new supply could drive down prices by up to US$ 5,500/tonne, or 76% of 2013 prices.[14] If demand fails to keep up with supply, prices will not bounce back. With industrialization nearly complete in China (more than 90% of people under 30 from rural areas are engaged in non-agricultural work), future rates of urban expansion may not match those of the past.[15] Projections suggest that by the 2030s, a point will be reached at which rising incomes per capita no longer translate into rising demand for commodities.[16] In addition, stagnating economic growth at a global level could lead to an extended downturn in the commodity prices "super cycle", along with a reduced appetite for international mining investments.[17]

Regional geopolitical instability could stifle trade and slow economic growth – Regional tensions over land, natural resources, arms procurements, contested historical memories, and the perceived rise of China and decline of the United States could destabilize the region and complicate economic opportunities. Interstate tensions have increased in China's relations with Japan, South Korea, the Philippines, the United States and Vietnam, and tensions on the Korean Peninsula have become particularly worrying to security analysts.[18]

Regional collaboration may create winners and losers – Trade agreements such as Russia's Customs Union and the Shanghai Cooperation Organization could bypass Mongolia, as could the creation of a new China-Europe "land bridge" over Central Asia.

Environmental and social concerns could reduce resource consumption – Reports by the Intergovernmental Panel on Climate Change provide conclusive evidence that climate change is happening. As society responds, there will be pressure to reduce consumption and clean up production. Many governments see the mining sector as a powerful enabler for sustainable development. Trends suggest that licenses to operate will be awarded and maintained only if mining companies are seen as partners in local sustainable economic growth.[19] Studies suggest that embracing the "circular economy" could reduce the environmental impact of consumption, cut material input costs by one-fifth, and create jobs – potentially an attractive proposition for governments and businesses under pressure to show they are addressing environmental issues.[20]



Will Mongolia be able to produce and sell other significant products and services beyond its main minerals?

The evolution of critical uncertainties in Mongolia's context could **enable** *the country to produce and sell significant products and services beyond its main minerals.*

Investment capital for diversification could be plentiful – Some investment analysts forecast increasing interest in frontier economy stocks and bonds as investors move to diversify their portfolios away from the big emerging economies and hedge the risks of inflation in the United States and European Union in decades to come.[21] This could lead to more finance being available for diversification opportunities in frontier economies such as Mongolia.

New markets for goods and services could emerge in North-East Asia – Asia's middle-class consumer spending is projected to grow almost sixfold by 2030.[22] Institutional reforms could lead to higher economic growth in Siberia and neighbouring Russian regions; Vladivostok could boom as the Arctic opens up to shipping. And China's jobs are already moving from the eastern seaboard to the western interior. The growing middle classes in Mongolia's immediate environment could thus create markets for a range of the country's existing products and services as well as new ones.

A shift to cleaner and renewable energy could create demand for minerals beyond copper and coal – Growing environmental concerns and energy demands could create markets for Mongolia's other major resources such as uranium and rare earth magnets for renewable energy technologies.

Surplus of educated young workers in the region – If high unemployment rates persist among graduates in neighbouring economies, Mongolia could attract the skilled labour and knowledge it needs to diversify its economy.[23] In South Korea today, the unemployment rate for college graduates exceeds that of graduates from vocational high schools.[24] In post-financial crisis Japan, there is talk of a "lost generation" of university graduates who are under or unemployed. China is also seeing signals that its economy will not be able to accommodate the rising numbers of university graduates.[25]

Alternatively, the evolution of critical uncertainties in Mongolia's context could **prevent** *the country from producing and selling significant products and services beyond its main minerals.*

Investment capital could be difficult to access – If revenues from mining are low, Mongolia's capacity to diversify will depend partly on the sources and costs of borrowing. The Organisation for Economic Co-operation and Development reports that development aid fell by 4% in 2012, and aid allocations are shifting towards middle-income countries. On capital markets, costs of borrowing may go up. Urbanization requires investments by governments and firms and generates incomes for workers which will be used to upgrade lifestyles. At the same time, ageing populations and China's shift to a consumer economy will bring down global savings rates. This would push up real long-term interest rates, making capital more costly and harder to access.[26]

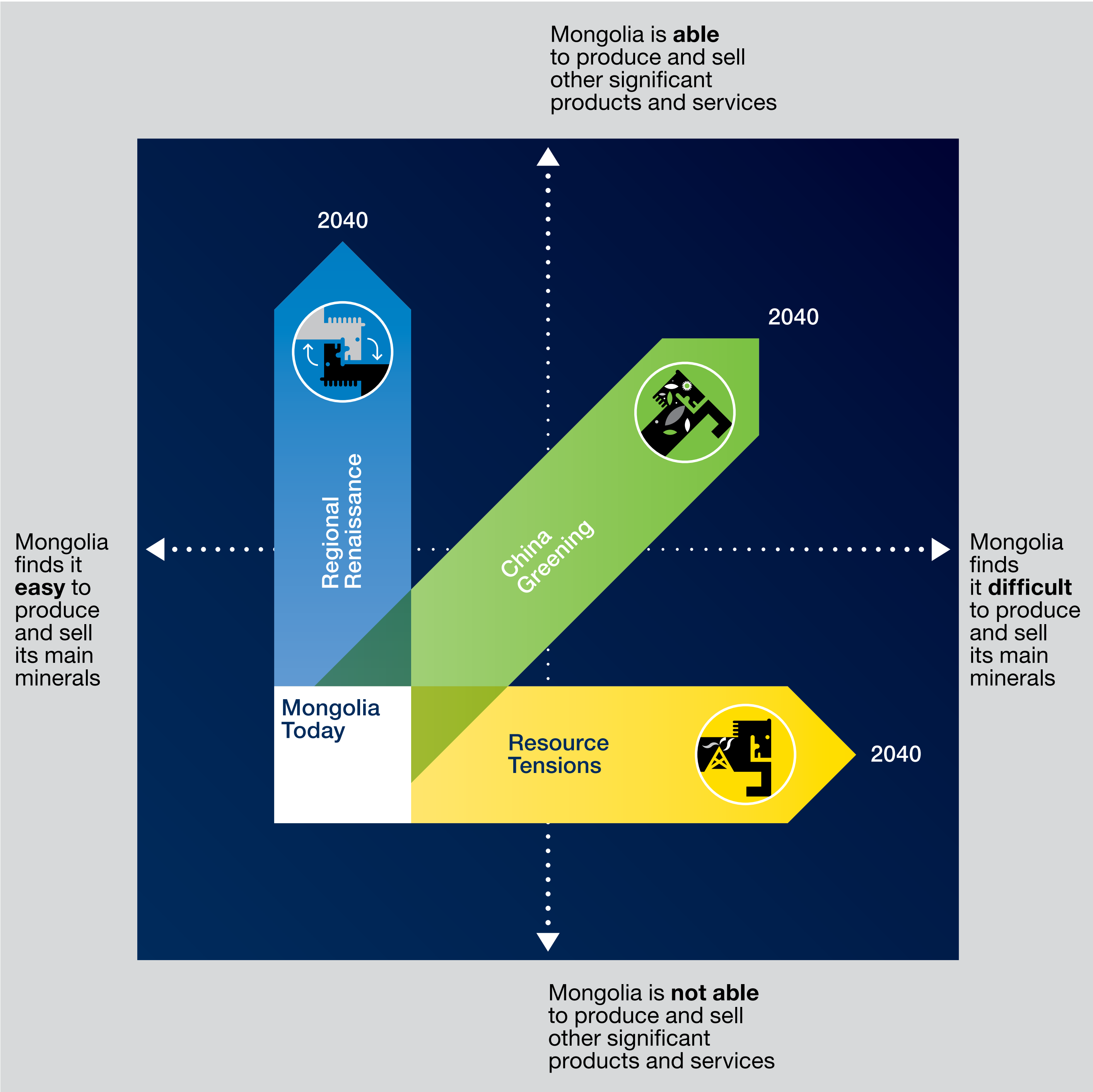
Competition for shares in new markets in the region could be hard to beat – While Asia's growing middle classes are projected to demand more meat and dairy products, Mongolia's nascent agricultural sector may not necessarily be the beneficiary. Established agricultural exporters such as Australia, Canada, the European Union, New Zealand and the United States are projected to be able to meet rising demand.[27] Russia's eastern regions are also endowed with untapped fertile land and abundant fresh water, giving Russia a competitive advantage in grain, fodder and meat production, as well as timber processing, pulp and paper.[28] Breakthroughs in disruptive technologies such as synthetic meat production could also depress demand for Mongolian meat.

Labour shortages in Asia due to ageing populations – Despite the growth in the region's number of university graduates, a gap in labour supply could open as East Asia's rate of population ageing outstrips that of other regions. By 2030, China's dependency ratio – the ratio of working-age population to dependants – is set to reach the level of Norway and the Netherlands today.[29] Mongolia may struggle both to attract experienced workers from the region and possibly to prevent a "brain drain" among skilled Mongolians as China requires more and more foreign labour.

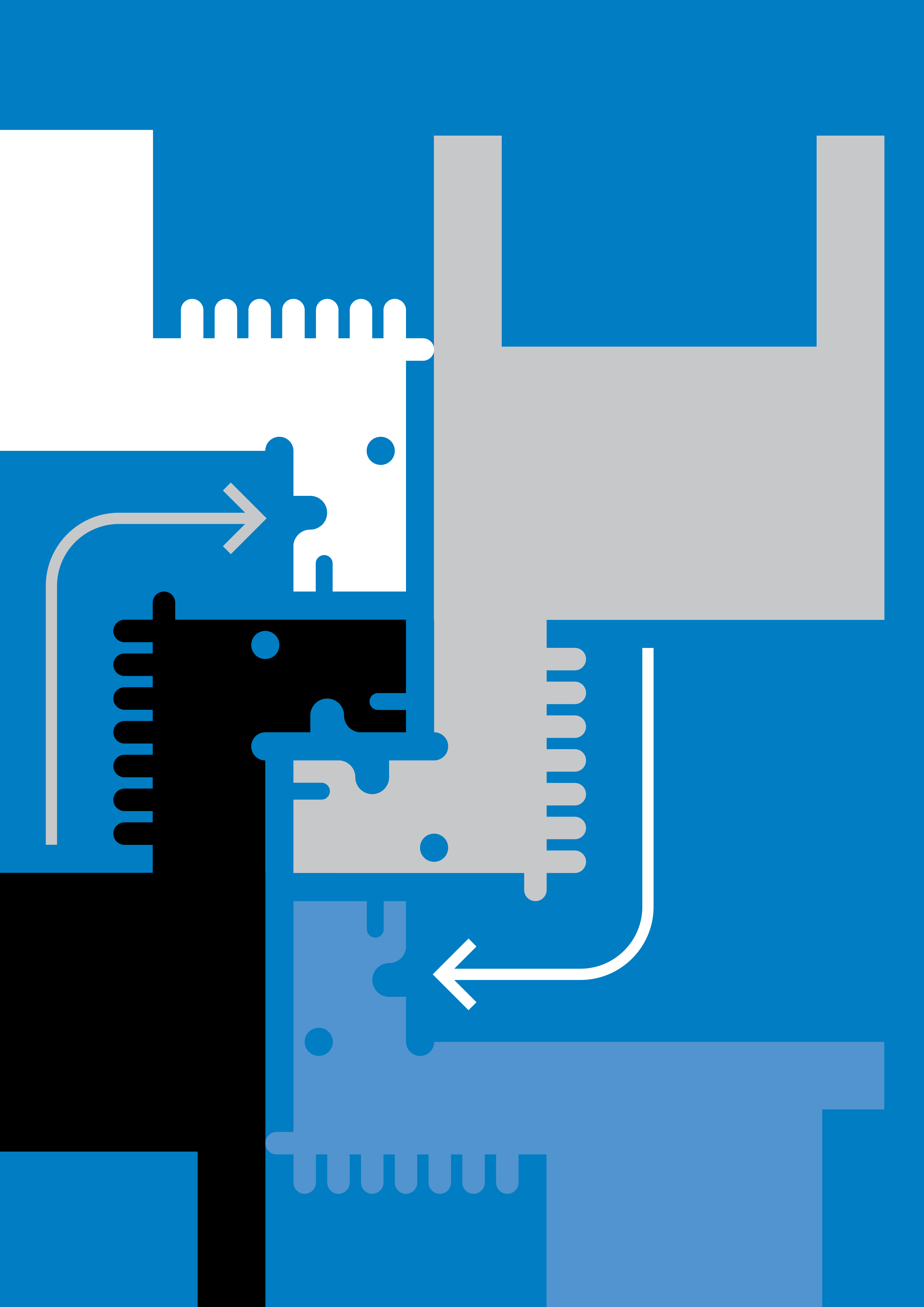
Scenarios for Mongolia

The starting position in present day is a context in which Mongolia finds it relatively easy to produce and sell its main minerals, but difficult to produce and sell other significant products and services. As we travel into the future of 2040, three scenarios unfold towards very different contexts.

Scenarios Framework



Regional Renaissance



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, social unrest caused by increasing gaps between rich and poor, and the erosion of traditional lifestyles?

Contextual Pathways

In 2013, North-East Asia was regarded as one of the least integrated regions in the world. There was relatively little coordination among China, South Korea, Japan, Mongolia and Russia. Meanwhile, North Korea was still outside the international system.

Gradually, this changed. During the 2010s, a consensus emerged that globalization would not be able to drive the next wave of growth, as it had before the financial crisis of 2008. A tipping point had been reached: interconnectivity had created so much complexity it made sense to manage more at a regional than global level.

Businesses in the region – both private and state-owned – were already forging cross-border links and regional value chains, to capitalize on the diverse strengths of the different countries' economies. Politicians followed suit, compelled by the economic logic of encouraging trade and investment in Asia rather than relying solely on demand from the United States and Europe.

The region's growing economic interdependencies created incentives to normalize bilateral relations that had previously been difficult. In China, Japan and South Korea, regional cooperation gradually took over from the old narratives of nationalism. Regional integration gathered pace as North Korea re-joined the international community, linking China and South Korea. And better bilateral investment and trade treaties led to strengthened regional value chains.

Meanwhile, Russia's eastern provinces increasingly turned to neighbouring countries for investment and export opportunities. International development banks were initially key to facilitating regional business, by pooling resources to fund cross-border infrastructure. However, by the 2030s, regional public-private partnerships took over from donor funds as the main source of finance for increasingly ambitious regional infrastructure projects.

By 2040, there is a widespread level of mutual political trust among the region's countries. Barriers to the cross-border flow of capital, people and knowledge have largely been reduced. With greater ease of travel, tourism and the internationalization of higher education, younger generations across North-East Asia increasingly feel a sense of common identity.

Impact of the Contextual Pathways on Mongolia

Demand for Mongolian copper and coking coal has been buoyant due to continued urbanization in China and significant economic development in countries such as North Korea. Strong regional growth has enabled Mongolia to strengthen its trade balance and increase government revenues.

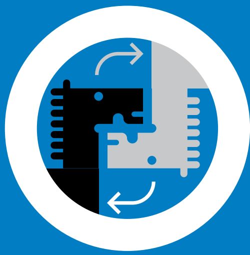
Regional integration has expanded Mongolia's customer base. Combined with export revenues from mining, it has given Mongolia the opportunity to pursue economic diversification into areas such as oil and gas, downstream processing, mining and financial services, industrial scale agriculture, and textile manufacturing. High-end cashmere and exotic textiles from Gobi camel and yak have become popular with North-East Asia's growing population of middle-class consumers.

Also making diversification easier to pursue, Mongolia has been more able to access FDI from South Korea, Japan and other regional partners, with open borders making it easier to bring in the necessary skills. Diversification has presented opportunities to develop the whole country, not just Ulaanbaatar.

Regional political collaboration has made it easier for Mongolia to access concessional multilateral banking funds for domestic and cross-border infrastructure, transforming this landlocked country into a regional thoroughfare and creating a transit corridor through China to the seaborne market. Investment in telecommunications and Internet infrastructure has facilitated trade in services, giving Mongolia the opportunity to improve its education system and increase its innovation capacity.

While this path has presented Mongolia with significant opportunities to diversify its economy, it has also posed dangers, notably Dutch disease. Windfall mining revenues have created constant pressures on the exchange rate, and have had to be carefully managed to not undermine the competitiveness of Mongolia's non-mining sectors.

Mongolia has faced growing risks of environmental degradation from increased activity in mining, processing and industrial agriculture. Large-scale animal husbandry has threatened traditional lifestyles. The risk of social unrest from urban-rural divisions has required efforts to ensure economic benefits are spread equitably. Finally, easier migration for people within the region has challenged Mongolia to define its identity as it seeks to integrate immigrant communities.



Signposts

ASEAN claims to be on course to reach 2015 targets –

Most ASEAN officials are saying that the year 2015 would not be the end but the beginning of a long process to form the ASEAN Community, given various differences in development, infrastructure, political systems, education, healthcare and so on.

The Jakarta Post, 9 October 2013

Mongolian president's visit to North Korea aimed at increasing ties –

Earlier this year, Mongolia-listed HB Oil bought a 20 per cent stake in a North Korean state-owned refinery. It plans to supply crude oil to the Sungri refinery, based in the special economic zone at Rason, exporting the products back to Mongolia.

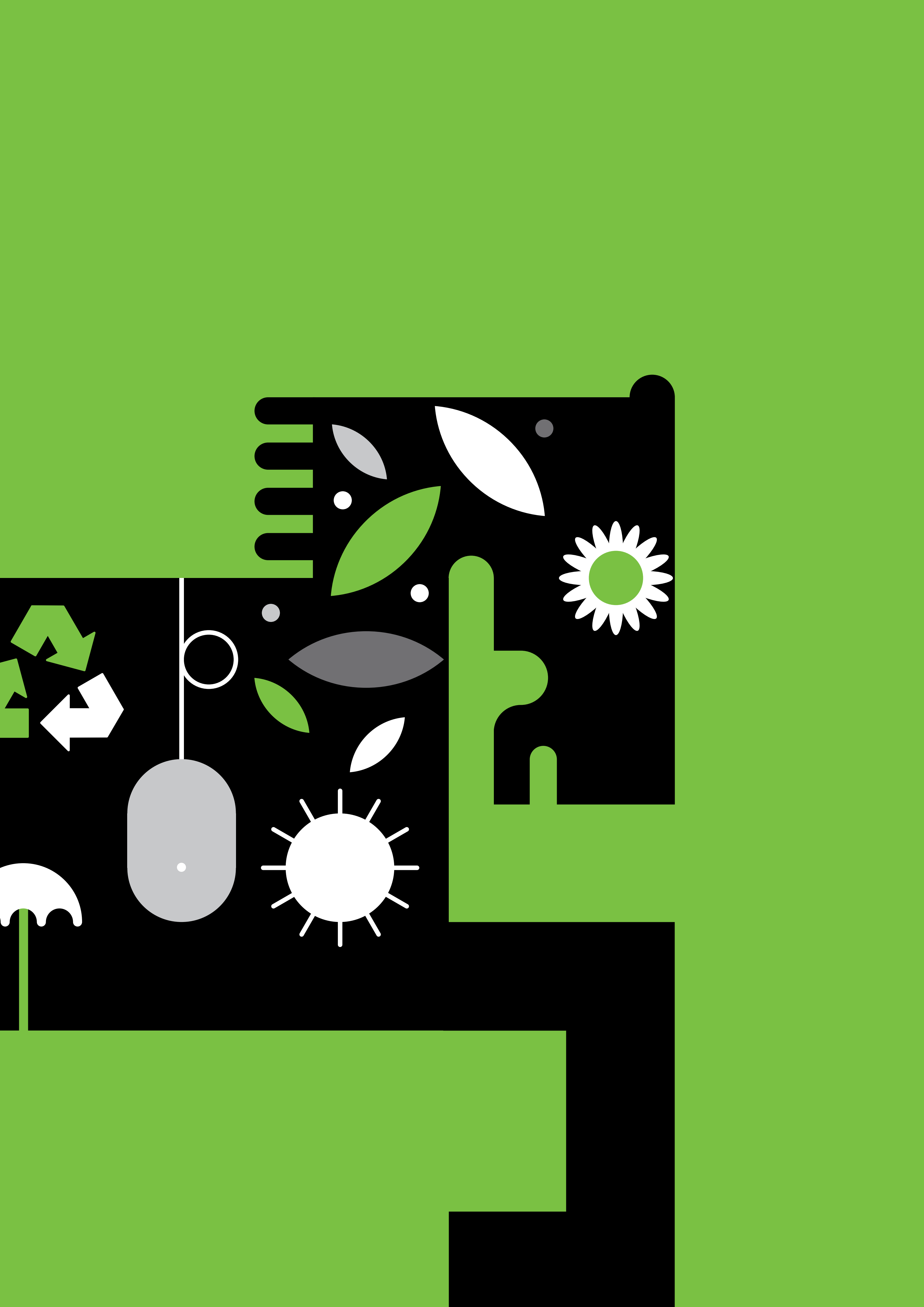
South China Morning Post, 28 October 2013

S Korea, Japan, China to Hold Third Round of FTA Talks –

Chinese Ministry of Commerce spokesman Shen Danyang has confirmed that the third round of talks on the proposed tripartite free trade agreement (FTA) between China, Japan and South Korea, will be held on November 26-29, 2013, in Japan.

Tax-News, 4 November 2013

China Greening



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 have risen and demand has fallen. 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 the opportunities.

Contextual Pathways

In 2040, residents of modern China find it hard to believe that urban China was plagued by air pollution as recently as 2013. Back then, the country's leaders were already grappling with localized protests about pollution and the corruption that made it worse. By the mid-2010s, a nationwide environmental protest movement – which was largely middle-class, urban and well-connected – had emerged, while increasingly visible inequalities between China's rich and poor further challenged the "growth at all costs" model of economic development.

China's leaders responded with a series of fundamental reforms aimed at balancing economic growth with environmental sustainability and social stability. These included slashing greenhouse gas emissions through a carbon pricing scheme that left businesses scrambling to cut carbon emissions.

In a major effort to reduce dependence on fossil fuels, China provided an experimental and proving ground for new green industries and technologies. Government funding was ploughed into green research and development, with incentives for private finance to also pursue such opportunities.

The effects of this shift towards a sustainable and inclusive economic model reverberated through global supply chains. Under the banner of "green and inclusive growth", China's government introduced a series of ambitious measures to close the loop of production processes, implementing stricter regulations and supply chain requirements for firms.

In addition, recognizing that environmental issues transcend borders, the country took an increasingly vocal leadership role in advocating a greener agenda regionally and globally. Since 2030, China has been the world's largest single country lender, providing incentives to its trade partners to pursue responsible and sustainable policies through its green growth and clean technology funds.

In 2040, China stands as a world leader in the production of energy efficiency and green products and services. As the effects of climate change start to become apparent, with desertification and freshwater shortages threatening food security, neighbours in the region increasingly recognize the wisdom of following suit.

Impact of the Contextual Pathways on Mongolia

At first, Mongolia was still able to produce and sell its main minerals, but over time this became increasingly difficult. China began to move its polluting steel production abroad to other countries which had their own sources for coking coal. Society's growing expectation that mining operations meet more exacting environmental, social and cultural standards drove up coal and copper production costs, and recycling "circular economy" initiatives reduced demand.

However, China's greening also presented Mongolia with opportunities to diversify its economy. Lower-than-anticipated mineral exports meant less pressure on Mongolia's exchange rate and less risk of Dutch disease. Small and medium-sized enterprises (SMEs), benefiting from a conducive business environment, could thus respond to new demands being created at home and abroad, offering the opportunity for the country to pursue a more inclusive growth model.

Demand among health-conscious Chinese middle-class consumers for free-range organic foods opened up opportunities for Mongolia, as did the growing popularity of eco-tourism among regional citizens. It has become possible for Mongolia to brand itself as an exporter of high-quality organic food products and a cultural destination due to having had the foresight to safeguard its pristine natural environment. And as climate change intensifies, there are signs that melting permafrost may increase the area of fertile soils in the north of Mongolia, expanding the scope of possible agricultural exports.

The drive for cleaner energy, combined with cheaper and more effective transmission technologies, has opened up possibilities to export electricity from large-scale solar and wind farms in Mongolia to China and beyond. As power generation in the region has shifted from fossil fuels to a more diverse energy mix, there are greater demands on Mongolia to develop its uranium deposits.

Mongolia has also faced greater demand for rare earth metals, which are important in many green technologies such as wind turbines and electric car batteries. This has presented opportunities not only in new mining but also in manufacturing of parts for these technologies, joining in the global supply chains for greener products.

The greening of the region has, paradoxically, presented Mongolia with a temptation to go in the opposite direction. For example, rare earth mining is complicated and can be dirty – something more densely populated countries are unwilling to engage in. Mongolia's government has had to handle a divide between some in Mongolia who advocate for accepting dirty but profitable mining operations, and others who prioritize protecting Mongolia's pristine environment.

With long lead times for new, large-scale diversification initiatives, Mongolia has been forced to take a view well in advance on where its energies and resources ought to be concentrated.

Signposts

China Outpacing Rest of World in Natural Resource Use –

The Chinese government has adopted a number of policy instruments to strengthen the economy and conserve resources, including a US$ 586 billion stimulus package with a green focus, incentives for more efficient vehicles, and setting targets for a more energy efficient building sector. Mainstreaming sustainability into national development plans and decoupling resource use from economic activity may prove to be very successful strategies to improve environmental quality while ensuring further investment into economic growth and human development. China is also one of the first countries to embrace the circular economy approach as a new paradigm for economic and industrial development.

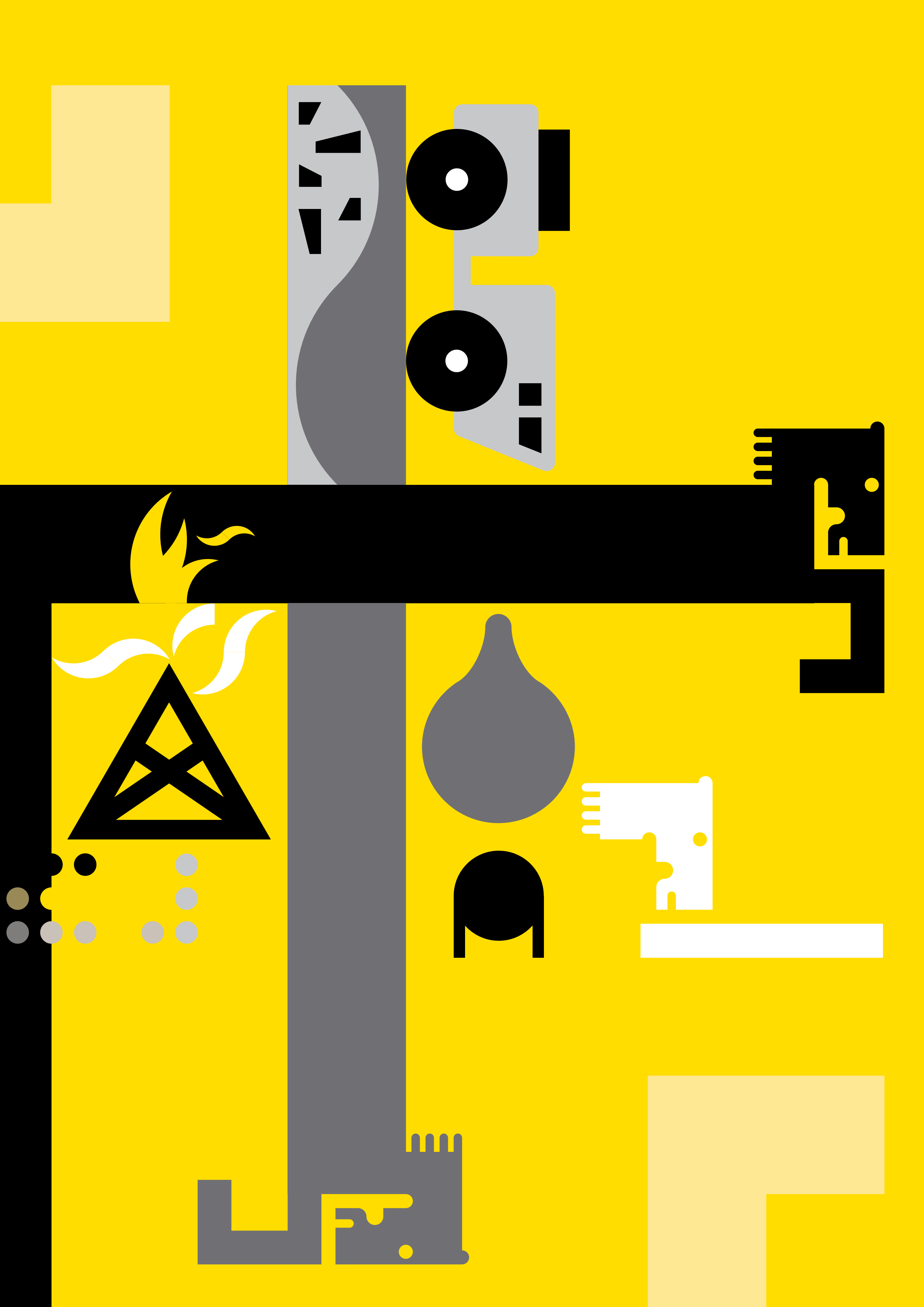
United Nations Environment Programme, UNEP News Centre, 2 August 2013

Five Project Partners Sign MoU for a Regional Study on "Gobitec and the Asian Super Grid" –

In March 2013, five partner organizations signed a Memorandum of Understanding to jointly prepare a regional study 'Gobitec and the Asian Super Grid' for renewable energy sources in North-East Asia… 'Gobitec' is a new industrial initiative, where electricity is produced from renewable energy sources in the desert regions of Mongolia and China and brought to the industrial centres of Mongolia, China, the Republic of Korea, and Japan via high-voltage lines.

Energy Charter, 8 March 2013

Resource Tensions



By 2040, the region is fragmented, geopolitically tense and economically struggling. Natural resources are used for political leverage, which has impacted the 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.

Contextual Pathways

By 2013, there were already signs – even if they were not yet universally recognized – that the world had moved beyond the era of one global superpower. The financial crisis five years previously had opened the way for the rise of multiple reserve currencies, while popular dissatisfaction with slow growth and rising inequality gradually fuelled the growth of extreme political movements on both the left and right, which stoked historic national rivalries.

As time went by, these trends towards greater economic and political volatility became more pronounced. Around the region, political elites resorted to nationalist, populist rhetoric. Governments prioritized domestic job protection over regional collaboration on economic growth and environmental stewardship. In North-East Asia, as in other regions, geopolitical tensions flared throughout the 2020s – notably with the Sino-US standoff over Taiwan and the tensions between China and Japan and on the Korean peninsula.

China's repeated use of access to rare earth minerals as a lever of pressure on Japan typified the growing use of commodities as strategic and policy tools. Countries fiercely guarded their access to resources, through diplomatic, military and commercial means. Many also pursued efficiency measures and sought to substitute renewables for fossil fuels, motivated less by environmental concerns than by a desire to be as self-sufficient as possible.

Such measures, coupled with stalled growth, have led to falling demand for minerals. Although ever-shifting geopolitics have always caused prices to be volatile, it became clear the commodity super-cycle that started around the turn of the century was well and truly over. In response, resource-rich countries attempted to form cartels to prop up the prices of some minerals, though with varying degrees of success; copper-producing countries, for example, were unable to coordinate, resulting in low prices through the 2020s and 2030s.

Investors have increasingly adopted a short-term, safety-first attitude, "drip-feeding" investment in mines and preferring to invest in new frontiers (such as ocean mining) and in countries where they perceive less risk of corrupt behaviour or political upheaval from communities demanding a greater share of benefits. With a gradual breakdown in the effectiveness of global intellectual property regimes, the pace of innovation – including in new mining technologies – has also slowed.

Impact of the Contextual Pathways on Mongolia

Mongolia has struggled to secure stable, long-term finance for mining projects, risking uncertainties in employment and mining revenues. Nor has the country been able to access capital from the financial markets to significantly diversify its economy. Mongolia's downstream processing ambitions have also been stymied as other countries prefer to import raw material and create jobs domestically in their own processing plants.

Disputes with neighbours over various matters have frequently impacted trade, with temporary border closures ostensibly motivated by security concerns, and tit-for-tat impositions of tariffs and restrictions on movement of goods.

Slow growth in the region and geopolitical difficulties have led Mongolia to focus its limited resources on existing products and services, given that they require low levels of investment and can be transported with relative ease. These include food stuffs, cashmere, data storage, and indigenousness crops.

The resulting volatile and unreliable growth has constantly threatened to stir social tensions in Mongolia, with the risk of a disconnect between the people and the government. This has made governance increasingly difficult.

While the path to this future has been challenging for Mongolia, it has also presented opportunities. For instance, Mongolia was warmly welcomed as an additional supplier of rare earth metals in the region.

Over the years, Mongolia has worked hard to carve out a role for itself as a stable, neutral and independent neighbour in the region.

Signposts

United States urges China and Japan to ease tensions in island dispute –

“

The United States has called on China and Japan to exercise restraint and act responsibly to avoid having the escalating tensions over their territorial dispute affect global economic growth.

”

South China Morning Post, 15 September 2013

Resources Futures –

“

Resource politics, not environmental preservation or sound economics, are set to dominate the global agenda and are already playing themselves out through trade disputes, climate negotiations, market manipulation strategies, aggressive industrial policies and the scramble to control frontier areas.

”

Chatham House, December 2012

Commodities traders call end of “supercycle” –

“

The commodities “supercycle” is dead. If anyone was still in doubt about whether the era of ever-rising prices driven by rapid Chinese growth was over, events of the past week have surely dispelled it. The dollar rally after the Federal Reserve’s hints about tapering its “quantitative easing” programme, together with fears about a liquidity crunch in China, have sent a ripple of fear through the commodities industry. So what should investors do about it? The answer may be less obvious than it seems. Most commodity prices have already fallen dramatically. Since their respective peaks in 2011, copper prices are down 35 per cent, iron ore prices have fallen 40 per cent, and gold has tumbled 36 per cent.

”

The Financial Times, 26 June 2013

Implications of the Scenarios for Mongolia's Strategic Decisions

The scenarios have highlighted the potential economic opportunities and challenges for Mongolia given possible future developments in the region and beyond. The aim of this section is to use the scenarios to form responses to the three strategic decisions necessary for Mongolia to achieve sustainable and inclusive growth. The responses emerged from the scenarios process involving 250 stakeholders and experts.

As each scenario presents a plausible context, responses that are robust across different scenarios should enhance preparations for whichever future unfolds. Commonalities across the scenarios suggest good general options to be considered, while differences highlight the importance of considering contingencies.

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

Regional Renaissance

In this scenario, regional integration drives growth and provides significant opportunities for Mongolia to produce and sell its main minerals – but there is no automatic guarantee these opportunities will be realized. Strong growth in the region will attract others and Mongolia would need to systematically improve infrastructure and focus on high-return investments to compete successfully.

An attractive and stable investment and operating climate would be needed to make the mining industry sustainable through to 2040. This would require the government to reach agreement with the public on its role – to have ownership in mining projects, or leave it to the private sector and achieve revenues through taxes – and the speed at which the industry is expanded by issuing more mining licences. The government would also need to build its capacity to monitor and enforce environmental regulations given the potential growth in the industry.

Expansion of mining, and associated revenues, would have to be managed in a way that makes the public feel the benefits have been distributed fairly. Revenues would need to be managed in a way that contributes to inclusive development and avoids Dutch disease. Good macroeconomic management, such as of the exchange rate, would be important in this scenario.

A sovereign wealth fund could assist in two ways: operating as an investment fund, taking money out of the economy when necessary to prevent overheating; and operating as a development fund, investing domestically as needed. The first purpose requires financial expertise, while the second requires sector-specific management expertise.

China Greening

In this scenario, China and the region's greening leads to difficulties for Mongolia in producing and selling its main minerals over the long term. In the short term, this scenario suggests Mongolia "makes hay while the sun shines", encouraging the production and sale of its main minerals as quickly as possible and building up cash in a sovereign wealth fund to be used as it becomes harder to sell its main minerals. This would also imply a need for the government to invest now in the institutions and infrastructure required to increase efficiency and competitiveness to facilitate business growth when times get tougher. The government would need to explain to the public that this short-term strategy will enable other opportunities to be pursued over the long term.

If demand for Mongolia's main minerals shifts in the way envisaged by this scenario, lowering production costs will not be enough to improve exports, and moving into downstream processing may prove disadvantageous. However, Mongolia could explore new mining opportunities which would be suited to a greening region, such as rare earths and uranium.

The country could also approach this scenario by setting out to be a "star mining partner", where mining is developed in a sustainable and responsible way. Given that Mongolia as yet has few large operating mines, it is well positioned to build up a green profile for its mining sector by choosing partners who can bring the most advanced technologies, improve standards and labour conditions, and tackle environmental externalities.

Resource Tensions

In this scenario, as geopolitical tensions rise and minerals get used increasingly for strategic purposes, it becomes difficult for Mongolia to produce and sell its main minerals. Similar to the previous scenario, Mongolia could focus on maximizing its existing mining operations to sell its minerals as quickly and efficiently as possible and build up money in its sovereign wealth fund.

Another strategy would be to consider long-term contracts in the mix of selling mechanisms of the country's minerals, locking in more advantageous deals. Similarly, the scenario suggests locking in long-term investment in mineral development, which implies creating a stable and predictable investment and business climate with a consensus on minerals policies, tax and legislation.

Commonalities and Differences

All the scenarios highlight the importance of Mongolia developing a good investment and business climate, agreed with the public that makes the most of the minerals industry. All point to the need to invest in infrastructure that is flexible and produces high returns on investment to maximize opportunities and mitigate against downturns. And all suggest the importance of some form of sovereign wealth fund that can operate as an investment fund or development fund as needed.

Two of the scenarios suggest the need for good environmental management of mining operations, whether to cope with rapid growth (Regional Renaissance) or changing norms (China Greening). One scenario (Resource Tensions) in particular emphasizes the importance of considering long-term contracts in the mix of selling mechanisms for the country's main minerals.

Strategic Decision 2: What forms of economic diversification should be pursued and how?

Regional Renaissance

In this scenario, regional integration and growth offers Mongolia the opportunity to diversify into areas in which it enjoys regional comparative advantage. Products and services would need to be explored in areas such as agriculture, textile manufacturing, oil and gas, downstream processing, and mining and financial services. For example, Mongolia may not be able to compete with some of Russia's agricultural exports, but may have a competitive edge in textiles which could be parlayed into garments and the machinery used to make them.

This scenario envisages regional agreements to minimize barriers to trade, investment and the movement of labour. Mongolia would need to join these agreements to encourage diversification. It would need to build capacity and develop education and infrastructure to assist the private sector to drive investment in and the development of other sectors, and also look at opportunities to pursue regional development within Mongolia.

China Greening

In this scenario, as China and the region greens, opportunities open up for Mongolia to sell products and services that cater to this shift in market demand – for example, high-end organic meat and dairy products and cashmere, eco-tourism and renewable technologies. Bringing these industries up to this high standard would need time and investment. Seizing the opportunities presented by a greening China would require investments to be in place before China's green transition is fully underway. Time and investment would also be needed if new resource development opportunities such as rare earths and uranium were to be considered.

An excellent enabling business environment is a mandatory condition for new businesses to thrive in completely new industries. Sometimes state intervention can help where the private sector is not yet mature enough. This, however, would need to be based on careful analysis of potential comparative advantages and export markets in China and beyond. Studies could be commissioned to look imaginatively at which new industries might be suitable.

More generally, Mongolia could seek to create a transparent enabling environment, with clear "rules of the game" for local SMEs and international firms, and invest sovereign wealth fund proceeds in education. These measures could help private sector readiness to support new industries and services as opportunities arise.

Resource Tensions

In this scenario, Mongolia struggles to produce and sell its main minerals and access the necessary funding to develop other sectors. Such a tough regional environment would increase the importance of maximizing economic efficiency and competitiveness through strategic investments in infrastructure and education. An early focus on promoting regional transport, energy and communications networks could also reduce the impacts of later fragmentation.

In this scenario, the best options for diversifying exports could be products and services that need little investment, have low transport costs and minimize the problems of being landlocked in a region beset by geo-political tensions. Sea buckthorn is one possibility, while cashmere could easily be flown to markets such as Italy if air transport costs are competitive. This scenario could present opportunities in information and communications technology, including data storage, as Mongolia offers more freedom to creative developers than some neighbouring countries.

Assuming basic logistics and safety standards are in place, the meat industry could potentially improve its exports significantly with relatively little investment concentrated on image and marketing. Difficulty in diversifying into new areas could also lead Mongolia to focus more on maintaining the existing diversity of its nomadic cultural heritage.

Commonalities and Differences

While some products – such as cashmere – are seen to offer opportunities across the scenarios, each scenario points to different general directions and particular opportunities. These include high-end eco-products and services (China Greening), products and services that ease transportation difficulties and have low transportation costs and/or investment needs (Resource Tensions) and products in which Mongolia has a demonstrated regional comparative advantage (Regional Renaissance).

All the scenarios suggest the need for Mongolia to have an enabling environment to encourage private sector activity in diversification. This includes investing in infrastructure and education, and developing institutions and regulations that allow the private sector to flourish. Where completely new products and services might be considered (such as in China Greening), a government strategy to support these industries could be helpful. This is especially true when diversification opportunities require significant development and involve long lead times.

Strategic Decision 3: What trade and investment relationships will be needed to achieve both?

Regional Renaissance

In this scenario, regional integration offers Mongolia easier access to trade and investment opportunities. However, to take advantage of these opportunities, Mongolia's government would need to actively engage with the region's governments and institutions to be included in emerging political and economic arrangements. More generally, success in this scenario would involve being a good business partner and maintaining good relationships with neighbouring countries, multilateral institutions and private sector investors.

By accessing concessional funds and increased levels of FDI, Mongolia could reduce the costs and logistical challenges of being a landlocked country, providing infrastructure to facilitate Russia-China and other regional trade.

Finally, small countries need ways to stand out; being at an early stage of the development process, Mongolia could set out to become a regional leader in adhering to international standards.

China Greening

In this scenario, Mongolia would need to identify which relationships will best position it as China and the region greens. For example, the country could seek to attract investors by building up an international green profile, building on the existing constituency in the country for green development. Bilateral negotiations with Chinese and global firms could also enable Mongolia to develop the capacity to join green industry supply chains – for example, producing parts for electric car batteries from its rare earth resources.

Using its own public funds to cover initial risks, Mongolia could build relationships with multilateral banks, bilateral country donors and national development banks such as the China National Development Bank to unlock funding for new, green ventures.

Resource Tensions

In this scenario, geo-political tensions and the use of resources as strategic assets put a high emphasis on understanding relationships in the region and skilfully managing them to unlock any opportunities that may arise. For example, if a conflict involving China looks likely to threaten its trade links with supplier countries such as Australia, Mongolia could explore further agriculture trade with China.

This scenario suggests an emphasis on Mongolia securing robust economic and political relationships with its neighbours. Over the longer term, as economic conditions toughen, low-cost options for developing relationships such as cultural and educational exchanges could be pursued.

Long-term partnerships and joint ventures with international investors from outside the region could be the best way in this scenario to develop non-mining industries such as cashmere. Finally, even with the regional turbulence suggested in this scenario, Mongolia could expand its trade relationships with the ethnic Mongolian diaspora in China and Russia, given their desire for culturally distinctive products and services, including entertainment.

Commonalities and Differences

All the scenarios suggest the importance of Mongolia actively engaging with its neighbours in the region, whether to avoid being left behind by integration (Regional Renaissance), to understand at an early stage the nature of potential new market opportunities (China Greening), or to be able to skilfully deal with sensitive geopolitical situations as they arise (Resource Tensions). The diverse possible futures suggest the need to consider seeking agreements now on trade, investment and free movement of people to secure important relations over the long term.

Among options suggested more strongly by one of the scenarios are seeking negotiations with regional and global firms for Mongolian firms to be incorporated into supply chains in emerging new green products and services (China Greening), and pursuing low-cost options for building relationships such as cultural and educational exchanges (Resource Tensions).

Next Steps

This report represents a milestone in the strategic dialogue on the economic future of Mongolia with local and international business, public policy and academic leaders.

The discussions which led to this report have highlighted how Mongolia's economy is closely connected to, and affected by, the region and the wider world. The scenarios presented in this report represent three plausible yet very different trajectories of how Mongolia's future context could evolve between now and 2040.

The scenarios have informed possible responses to the strategic decisions for Mongolia to maximize the potential of its mineral resources and to diversify its economy for long-term sustainable and inclusive growth. The aim of the collaboration between Mongolia and the World Economic Forum is for these scenarios to be used as a tool for deliberation and public discourse, helping Mongolia and its key stakeholders shape the transformation that is underway in this rapidly-changing emerging economy.

The box on the next page outlines how the scenarios and the material in this report can be used in strategy and policy development, and to foster a range of strategic conversations among stakeholders.

Two decades ago, few could have imagined the transformation that would take place in Mongolia. Over the next few decades, even more is possible.

Using the Scenarios

1. Testing Planned Policies and Strategies

Like a wind-tunnel that tests the integrity of the wings of airplanes, the scenarios can be used to test planned policies and strategies. The aim is to understand under which conditions the policy or strategy could be susceptible to changes in the future context and become a liability. For example, current infrastructure considerations could be "wind-tunnelled" through the scenarios to understand under which conditions they would be an asset or an expensive liability. The policies and strategies can then be modified to ensure they are flexible to address developments across the scenarios (for example, by being able to serve multiple purposes).

The following template can be used for testing.

Policies/ Strategies	Regional Rennaissance	China Greening	Resource Tensions
Policy or Strategy 1			
Policy or Strategy 2			
Policy or Strategy 3			

2. Exploring Implications and Generating New Options

The scenarios can be used to generate new strategic and policy options. By considering different future contexts (the opportunities and threats in the scenarios) alongside the weaknesses and strengths of the country or firm or organization using them, tailored implications of the scenarios can be rendered. These implications can then be developed into options for each scenario by asking how the strengths and opportunities can be maximized and the weaknesses and threats minimized. These options can then be tested as above to understand which are robust across the scenarios and which ones are contingent and would require an investigation of choices.

The following template can be used to generate implications and new options.

Implications	Regional Rennaissance	China Greening	Resource Tensions
Strengths			
Weaknesses			
Opportunities			
Threats			

3. Developing an Early-Warning Capability

The scenarios provide different “frames” or ways of seeing developments unfolding in Mongolia’s context. Without such frames, it is difficult to differentiate the important signals from the noise. As frames, they help organize the categories of information for monitoring change. In this way, the scenarios provide an early-warning capability signalling important, emerging changes.

To use the scenarios in this capacity, consider which developments would be the entrance to each one, signalling their unfolding. Then put in place scanning processes to monitor the possible developments and ensure the information is regularly analysed and discussed in policy and strategy forums.

4. Facilitating Strategic Conversations

The scenarios can be used in discussions and workshops to enable stakeholders to understand possible developments in Mongolia’s future context and to generate options in response. Below is a suggested workshop outline for using the scenarios in this type of strategic conversation.

Sample Half-Day Workshop

Objectives
1. To learn about developments in Mongolia’s future context using the scenarios
2. To understand the implications of the scenarios for the three strategic decisions underpinning Mongolia’s long-term economic prosperity

Duration
Four hours (e.g. 13.00 - 17.00)

Agenda

13.00 - 14.05	**Introduction** Strategic decisions and scenarios
14.05. - 14.55	**Breakout Group Discussions** Implications of the scenarios for Mongolia’s strategic decisions
14.55 - 15.25	**Plenary** Report from each breakout group
15.25 - 15.50	Coffee/Tea
15.50 - 16.50	**Roundtable Discussion** Discussion of robust policy options across the scenarios to foster Mongolia’s sustainable and long-term economic development
16.50 - 17.00	**Next Steps and Closing**

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Annex – The Value of Scenarios

Scenario thinking is a powerful strategic management tool that can be used in the private, public and non-profit sectors as well as in a multistakeholder context. While scenarios are often used to provide public and private sector decision-makers with the tools to anticipate potential hazards, they have also proven to be a powerful tool for creating opportunities – in the form of new policies, new strategies and forging new connections – by freeing thought from the constraints of the past.

Scenarios can enrich learning and decision-making at both the country and company level. In particular, they provide leaders with the ability to:

- Enhance a policy's or strategy's robustness by identifying and challenging underlying assumptions and established wisdom
- Make better strategic decisions by discovering and framing uncertainties, leading to a more informed understanding of the challenges involved with substantial and irreversible commitments, and contributing to strong and pre-emptive governmental or organizational positioning
- Improve awareness of change by shedding light on the complex interplay of underlying drivers and critical uncertainties, and enhancing sensitivity to weak and early signals of significant changes ahead
- Increase preparedness and agility for coping with the unexpected by visualizing possible futures and mentally rehearsing responses
- Facilitate mutual understanding and collaborative action by providing stakeholders with a common language and concepts in a non-threatening context, thereby allowing for the creation of effective and innovative multistakeholder options

Annex – Process and Stakeholder Engagement

The World Economic Forum initiated the Scenarios for Mongolia project during its Annual Meeting in Davos-Klosters in January 2013 to support a constructive dialogue among 250 stakeholders of the Mongolian economy.

The project has followed three phases. The first surveyed the varying views held by the wide range of stakeholders and experts on the Mongolian economy. This first stocktaking exercise led to a series of interviews in March 2013 in Ulaanbaatar, which was built on during continued research and consultation with international experts around the world. A workshop was also held in Ulaanbaatar to further explore the possible evolutions of the drivers of change for Mongolia's economy.

The output of these consultations resulted in the development of a set of challenging but plausible scenarios for Mongolia's economy. This stakeholder-driven, interactive scenario process represented the second phase of the project and led to the World Economic Forum's Strategic Dialogue on Mongolia in Ulaanbaatar in September 2013. The scenarios served as a basis for discussions among participating public and private sector players on the potential challenges and opportunities the Mongolian economy might face.

With this milestone, the project entered its third and final phase, refining the scenarios and mapping out responses to the strategic decisions. This included an expert workshop held in London in October 2013, during which the long-term implications of the scenarios for Mongolia's economy were further explored. The discussions culminated at the World Economic Forum Annual Meeting in Davos-Klosters in January 2014.

Timeline

Step 1: Perspectives and analysis	Step 2: Scenario narratives	Step 3: Synthesis and implications
Opportunities and **challenges** **Drivers of change** Stakeholder **visions**	Identification of **critical uncertainties** Discussion of **relevant futures** Stakeholder and expert **dialogues**	Synthesis of major **insights** Targeted discussion of **implications** **Report launch**
Interim stakeholder consultations, Ulaanbaatar **17 - 21 June 2013**	**World Economic Forum Strategic Dialogue, Ulaanbaatar** **15 September 2013**	**World Economic Forum Annual Meeting, Davos - Klosters** **22-26 January 2014**


01


02


03

Caption: Discussion leaders facilitate workshop breakout groups; special remarks; and speaker panels at the Strategic Dialogue on the Future of Mongolia. Ulaanbaatar, Mongolia 14-15 September 2013.

01. Fadi Farra, Director, Whiteshield Partners Limited, United Kingdom

02. Fulai Sheng, Head of the Research and Partnerships Unit of UNEP, Technical Manager of the UNEP-led Green Economy Initiative, Switzerland

03. Graeme Hancock, President and Chief Representative, Mongolia, Anglo American Development LLC

04. H.E. Mr Tsakhiagiin Elbegdorj, President of Mongolia

05. Professor Klaus Schwab, Founder and Executive Chairman, World Economic Forum

06. Stephen Groff, Vice President, Asian Development Bank;
H.E. Mr Yasutoshi Nishimura, Senior Vice Minister of the Cabinet Office, Cabinet Office of Japan;
H.E. Mr Shin Bong-Kil, Ambassador for Northeast Asian Regional Cooperation, Ministry of Foreign Affairs of the Republic of Korea;
Denis Simonneau, Member of the Executive Committee, European and International Relations, GDF Suez

04

05

06

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Jargalsaikhan Dambadarjaa, Jargal de Facto

Julian Dierkes, University of British Columbia

Fadi Farra, Whiteshield Partners Limited

Coralie Gevers, The World Bank

Stephen P. Groff, Asian Development Bank

Graeme Hancock, Anglo American Development LLC

Mashbat Otgonbayar, Ministry of Foreign Affairs of Mongolia

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Sheng Fulai, United Nations Environment Programme (UNEP)

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Mend-Orshikh Amartaivan, The New Media Group

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Urgamal Azat, MTV Exit

Unenbat Baatar, Newcom LLC

Bold Baatar, Rio Tinto

Mahir Babayev, European Bank for Reconstruction and Development (EBRD)

Enkhbat Badarch, Erdenes Tavan Tolgoi JSC

Bae Hong, KPMG

Todd Baer, Bloomberg LP

Mark Bailey, Leighton LLC

Rachael Bartels, Accenture

Nyamjav Batbayar, Ministry of Economic Development of Mongolia

Sükhbaataryn Batbold, Former Prime Minister of Mongolia

Dambadarjaa Batjargal, Ministry of Foreign Affairs of Mongolia

Badamtsetseg Batjargal, National Statistical Office of Mongolia

Batdavaa Batmunkh, The Bank of Mongolia

Dondovdorj Batmunkh, Office of the Prime Minister of Mongolia

Gantig Batsaikhan, The Bank of Mongolia

Tseveen Batsukh, Thermal Power Plant #4 of Ulaanbaatar City

Khaltmaa Battulga, Ministry of Industry and Agriculture of Mongolia

Namuun Battulga, Genco Tour Bureau JSC

Magvan Bold, TenGer Financial Group LLC

Shin Bonggun, Standard Chartered

Marc van den Boom, ThyssenKrupp AG

Vicky Bowman, Rio Tinto

Will Brackenheimer, Guggenheim Partners LLC

Patrick Brothers, Leighton Holdings

David Butcher, David Butcher and Associates

Jennifer L. Butz, Mercy Corps

Nyamaa Buyantogtokh, Ministry of Finance of Mongolia

Batsukh Byambajav, Ministry of Roads and Transportation of Mongolia

Bayanjargal Byambasaikhan, The Business Council of Mongolia

Alicia Campi, US-Mongolia Advisory Group

Isabel Cane, The University of Queensland

Gabriele Cascone, NATO International Staff

Susan Chang, Banker's Association of the Republic of China

Jérôme Chartier, National Assembly, French Republic

Hongbo Chen, Tsinghua University

Saikhanbileg Chimed, Cabinet Office of the Government of Mongolia

Nomin Chinbat, Mongol TV

Choi Dong Soo, Hansae Co. Ltd

Ganbold Chuluun, Tenger Finacial Group LLC

Ochirbat Chuluunbat, Ministry of Economic Development of Mongolia

Ganbat Chuluunkhuu, Liberty Partners

Nicholas A. Curtis, Lynas Corporation Limited

Achit-Erdene Darambazar, Mongolia International Capital Corporation

Hulan Dashdavaa, Tavan Bogd Group

Ganbat Dashdondog, Parliament of Mongolia

Tsend Davaa, National Construction Consortium

Lundaa Davaajargal, Bridge Group

Enkhmaa Davaanyam, Petrovis LLC

Tserevsamba Davaatseren, Erdenet Mining Company

Steve Davis, PATH

Aidan Davys, International Council on Mining and Metals (ICMM)

Stefan De Muynck, The Financial Times

Johan De Saeger, GDF Suez Energy Asia Co. Ltd

Sambuu Demberel, Mongolian National Chamber of Commerce and Industry

Onchinsuren Dendevsambuu, Deloitte

Olivier Descamps, European Bank for Reconstruction and Development (EBRD)

Ric Deverell, Credit Suisse

Kuseni Douglas Dlamini, Times Media Group Limited

Frank Donovan, US Agency for International Development (USAID)

Gan-Ochir Doojav, The Bank of Mongolia

Jim Dwyer, The Business Council of Mongolia

Jon Edwards, London Stock Exchange Group Plc

Rebecca Empson, University College London

Zandaakhuu Enkhbold, Parliament of Mongolia

D. Enkhchimeg, Petrovis LLC

Chuluunbaatar Enkhzaya, Momentum Mongolia

Lkhagva Erdene, Mongol TV

P. Erdenejargal, Open Society Forum

Bilge Erten, Columbia University

Felix Fellmann, Swiss Cooperation Office of the Embassy of Switzerland

John P. Finigan, Golomt Bank

Brian Fisher, BAEconomics Pty Ltd

Brigitte Floc'h, EADS France - EADS International

Shannen Fong, Asia Pacific Breweries Singapore

Christophe Fontaine, Air Liquide SA

Hiroto Fujiwara, Sumitomo Corporation

Chikara Funabashi, Kawaijuku Educational Institution

Tsognemekh Galnemekh, Remicon JSC

Batsukh Galsan, Oyu Tolgoi LLC

Ganbold Galsan, Golomt Bank

A. Galtbayar, The National University of Mongolia

Galsan Ganbold, Golomt Bank LLC

Navaansuren Ganbold, Independent Authority Against Corruption (IAAC)

Da. Ganbold, Mongolian National Society for the Development of Energy Industry

Davaajav Gankhuyag, Ministry of Mining of Mongolia

Damba Gankhuyag, Ministry of Foreign Affairs of Mongolia

Bat-Erdene Gankhuyag, Nomsys

Amarjargal Gansukh, Ministry of Road and Transportation of Mongolia

J. Carl Ganter, Circle of Blue

Batkhuu Garamgaibaatar, Parliament of Mongolia

Baatarsuren Gereltsetseg, Ministry of Foreign Affairs of Mongolia

Bulent Goktuna, Mineks International

Gankhuyag Gombosuren, Bodi Group

Raphaël Goué, Europraxis Consulting

Laurel Green, Rio Tinto

John Grogan, Mongolian British Chamber of Commerce

David Gruen, Treasury of the Government of Australia

Colin Hamilton, Macquarie Securities Group

Jan Hansen, Asian Development Bank

Michael Hockx, University of London SOAS China Institute

Steve Hopkins, Fluor

Manabu Horiuchi, Marubeni Corporation

Hu Xiangyu, Thermo Fisher Scientific (China) Co. Ltd

Hiroshi Imazu, House of Representatives of Japan

William Infante, Breakthrough PR

Subodh Kumar Jain, South Asia Gas Enterprise Pvt Ltd (SAGE)

Andrew Jeffreys, Oxford Business Group

Rentsendoo Jigjid, Ministry of Mining of Mongolia

Bayartsetseg Jigmiddash, Ministry of Justice of Mongolia

James Seong-Cheol Kang, Global Green Growth Institute (GGGI)

Nurlan Kapparov Zhambyluly, Ministry of Environmental Conservation of the Republic of Kazakhstan

Norihiko Kato, Khan Bank

Masahiro Kawai, Asian Development Bank Institute

Battulga Khaltmaa, Ministry of Industry and Agriculture of Mongolia

Altai Khangai, Mongolian Stock Exchange

Chuluundorj Khashchuluun, National Council for Private Sector Support

Anand Khurelbaatar, Monos Group

Gene Kim, Standard Chartered

Pawel Konzal, Krezus SA

Randolph Koppa, Trade and Development Bank of Mongolia

Paulius Kuncinas, Oxford Business Group

Andre Kuusvek, European Bank for Reconstruction and Development (EBRD)

Cheol Eo Kyu, KOICA Mongolia

Howard Lambert, ING Bank

Matthieu Le Blan, European Bank for Reconstruction and Development (EBRD)

James Lee, ICAEW

Freddie Lee, Barclays

Lee Jaeyoung, National Assembly Korea

Liu Chin-Chung, CTBC Bank Co. Ltd

Bolormaa Luntan, The Mongolian Mining Journal

Calvin (Chuanqi) Luo, Bombardier Aerospace

Sumati Luvsandendev, Sant Maral Foundation

Bayan-Altai Luvsandorj, Max Group LLC

Bold Magvan, Tenger Finacial Group LLC

George Magnus, UBS

Mohamed Moustapha Malik, United Nations Children's Fund (UNICEF)

Davaasuren Manidar, Gan Khiits JSC

Ramsey Margolis, Cooperative Business New Zealand

Otgonbayar Mashbat, Ministry of Foreign Affairs of Mongolia

W. Larry McDonald, US Department of the Treasury

Cameron McRae, Rio Tinto

Massimo Meloni, United Nations Conference on Trade and Development (UNCTAD)

Sonomtseren Mendsaikhan, National Statistics Office of Mongolia

Batchimeg Migeddrj, Parliament of Mongolia

Ganchimeg Mijiddorj, National Statistical Office of Mongolia

Giovanna Mingarelli, MCrowdsourcing (MC2) Inc.

Betina Moreira Infante, Breakthrough PR

Sabine Mueller, GIZ

Enkh-Amgalan Myagmar, Erdenes Tavan Tolgoi JSC

Munkhbat Nanjid, Development Bank of Mongolia

Tulga Narkhuu, Ambassador of Mongolia to the United Kingdom

Tumurdush Nasankhuu, Monfresh Group

Tuyen D. Nguyen, International Finance Corporation

Yasutoshi Nishimura, Cabinet Office of Japan

Monsor Nyamdavaa, UMC Alpha

Herbert Oberhaensli, Nestlé SA

Narankhuu Odon, Teso Corporation

Kazuonori Okuyama, Sumitomo Mitsui Banking Corporation

Luvsantseren Orgil, The Permanent Mission of Mongolia to the UN, Embassy of Mongolia to Switzerland

Ch. Otgochuluu, Mongolia Ministry of Mining

S. Otgonbat, Oyu Tolgoi LLC

Sodbileg Otgonbileg, Petrovis LLC

Sanjaasuren Oyun, Ministry of Environment and Green Development of Mongolia

Eric Parrado, University Adolfo Ibáñez

Antonio Parenti, Directorate-General for Trade of the European Commission

Park Jae-Ha, Asian Development Bank Institute

Argentina Matavel Piccin, United Nations Population Fund (UNFPA)

Laurence Pochard, Asian Development Bank

Olga Ponomarenko, European Bank for Reconstruction and Development (EBRD)

Anna Portisch, University of London SOAS

Tsagaan Puntsag, Office of the President of Mongolia

Lundeg Purevsuren, Office of the President of Mongolia

Bolormaa Purevsuren, International Labour Organization (ILO)

Bruno E. Raschle, Adveq Holding AG

Héctor Robledo Cervantes, Corporación HRC Mexico & Centroamérica

Dilshan Rodrigo, Hatton National Bank Limited

Bold Sandagdorj, The Bank of Mongolia

Orgodol Sanjaasuren, Trade and Development Bank of Mongolia

Ian Satchwell, The University of Western Australia - International Mining for Development Centre

Satish Chandra Saxena, Swaymbhu Natural Resources Pvt Ltd

Arshad Sayed, Peabody Energy

Robert M. Schoellhammer, Asian Development Bank

Naranchimeg Sengedorj, Gobi Corporation

Pranjal Sharma, Businessworld

Himanshu Sharma, Overseas Infrastructure Alliance (India) Pvt Ltd (OIAPL)

Jan Sheltinga, Foreign Affairs and International Trade, Canada

Yohei Shibasaki, Fourth Valley Concierge Corporation

Shin Bong-Kil, Ministry of Foreign Affairs of the Republic of Korea

Denis Simonneau, GDF SUEZ

Sezin Sinanoglu, United Nations Development Programme (UNDP)

Saurabh Sinha, United Nations Development Programme (UNDP)

Ron Smit, Ron Smit Consulting

Erdenetsogt Sodontogos, Office of the President of Mongolia

Antonio Somma, Organisation for Economic Co-operation and Development (OECD)

Mishig Sonompil, Ministry of Energy of Mongolia

Mendsaikhan Sonomtseren, National Statistical Office of

Mongolia

Munkhbat Sosor, INEL LLC

Michael Stutchbury, Financial Review Group

Adiya Sukh, Gobi Corporation

Keith Suter, Global Directions

Zuunnast T., Ministry of Mining of Mongolia

Peter Tabak, European Bank for Reconstruction and Development (EBRD)

Shinjiro Takagi, Nomura Securities Co. Ltd

Lester Tan, Asia Pacific Breweries Mongolia

Dendev Terbishdagva, Office of the Prime Minister of Mongolia

Alice Tharenos, Peabody Energy

Tumentsogt (Tumen) Tsevegmid, GE

Damdin Tsogtbaatar

Erdenebat Tsogtoojav, National Development Corporation of Mongolia

Bolor-Erdene Tumurchudur, Mongolian Mining Corporation

Chultem Ulaan, Ministry of Finance of Mongolia

Ganzorig Ulziibayar, UMC Group

Azjargal Ulziitogtokh, European Bank for Reconstruction and Development (EBRD)

Sudakshina Unnikrishnan, Barclays

Denis Verret, DV Conseil

Uyanga Vladimir, The New Media Marketing Agency

Mark Vlasic, Georgetown University

Michael Wakileh, ProgressSoft Corporation

Wang Xiaolong, Embassy of the People's Republic of China

Olivier Wantz, AREVA

Laura White, Rio Tinto

Angela Wilkinson, Organisation for Economic Co-operation and Development (OECD)

Jonathan Woetzel, McKinsey & Co.

Pawel Wojciechowski, Permanent Mission of Poland to the OECD

Won Gang-Hee, POSCO

Changhua Wu, The Climate Group

Batsuuri Yaichil, Erdenes Tavan Tolgoi JSC

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Naidansuren Zoljargal, The Bank of Mongolia

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Andrew Bishop

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Børge Brende

Oliver Cann

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Weiyuan Cui

Jean-Loup Dénéréaz

Natalie Hatour

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Ariane Haeni

Adrian Monck

Kaitlyn Powles

Olivier Schwab

Valerie Peyre

Lisa Sweet

Masao Takahashi

Michael Tost

Olivier Woeffrey

Alex Wong

Project Team

The Scenarios for Mongolia project team includes the following individuals at the World Economic Forum (in alphabetical order):

Kristel Van der Elst, Senior Director, Head of Strategic Foresight

David Gleicher, Senior Manager, Strategic Foresight

Anna Koch, Project Associate, Eurasia

Trudi Lang, Associate Director, Strategic Foresight

Joo Ok Lee, Senior Community Manager, Asia

Sushant Palakurthi Rao, Senior Director, Head of South East Asia

Writer: Andrew Wright

Editing: Ann Brady and Fabienne Strassen

Creative Design: Ruslan Gaynutdinov

Illustration: Peter Grundy and Studio Blackburn

Photography: Montsame News Agency, Gamma Photo Agency, Mongolian Economy Magazine, Shutter Stock and Pierre Abensur

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World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org