

An aerial photograph of a city, likely Ulaanbaatar, Mongolia, showing a dense urban landscape with numerous high-rise buildings and residential blocks. In the background, there are large, rugged mountains with patches of snow or light-colored rock. The sky is clear and blue. The image is partially obscured by a white geometric shape on the left and a blue geometric shape on the right.

Mongolia Today: Challenges for a Landlocked Nation

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An Introduction to Mongolia

- ▶ Mongolia is the world's second largest landlocked country located in northern Asia; bordered by Russia to the north and China to the south.
- ▶ In terms of size, the country is four times larger than Germany, three times larger than France, and two times the size of Texas.
- ▶ Despite its size, Mongolia is the world's least densely populated country. More than 2.9 million people live in a vast area of 1.56 million square kilometers.
- ▶ The country's official language is Mongolian with English quickly replacing Russian as the second-most popular language
- ▶ Its flora and fauna, natural resources, and economic activities essentially make the country what it is today.



Figure 1.1 Northern Asia (Courtesy of nominisky.com)



Figure 1.2 Mongolia today (source: Michigan State University, *Global Edge*, 2018)

An Introduction to Mongolia

- ▶ Figure 1.3 depicts the Mongolian provinces, called *aimags*.
- ▶ In Mongolia, an *aimag* is the first-level administrative subdivision. The country currently has twenty-three *aimags*, which are further divided into 329 districts.
- ▶ The capital, Ulan Bator, is administrated as an independent municipality.
- ▶ On average, each district administers a territory of 4,200 km² (1,600 sq mi) with about five thousand inhabitants, primarily nomadic herders.
- ▶ Each district subdivided into bags, whose purpose is to sort the families of nomads in the district into groups, without a permanent human settlement.



Figure 1.3 Mongolian provinces, called *aimags* (Courtesy of *mongolia-attractions.com*)

Mongolia Today

- ▶ Mongolia's terrain is one of mountains and rolling plateaus, with a high degree of relief
- ▶ Despite being landlocked between Russia and China, Mongolia is looking to develop and manage its vast mineral wealth, through global engagement.
- ▶ Many scholars aptly describe Mongolia as a “Landlocked Cosmopolitan,” a country where the overriding aim of foreign policy is to preserve its national culture and lifestyle.
- ▶ In spite of a recent economic boom due to mining and foreign investments, the people continue to have country homes and cherish their traditional nomadic lifestyles and culture.

Mongolia Between Two Authoritarian States

- ▶ Although the country is landlocked between two champions of authoritarianism like Russia and China, Mongolia detached itself from the Soviet yoke and changed its constitution in 1992, transitioning from a “People's Republic” to a multiparty state.
- ▶ The only nation of its region to be ranked as free in Freedom House’s “Freedom in the World 2013 Index,” Mongolia never fell into the autocratic trap the way Kyrgyzstan and Turkmenistan did, and its geostrategic position between two nuclear powers has not posed a significant threat in the last two decades

Economic Development in Mongolia

- ▶ The biggest engine of economic development is its soil, with its extensive mineral deposits. It is because of these deposits that the government has recently entered a partnership with mining giant Rio Tinto to exploit the mines in the south.
- ▶ The development of mining projects like Oyu Tolgoi, that, according to estimates made by Rio Tinto, on average is capable of extracting, at full capacity, 430,000 metric tons of copper and 425,000 ounces of gold per year; and silver and molybdenum in the south of the country.



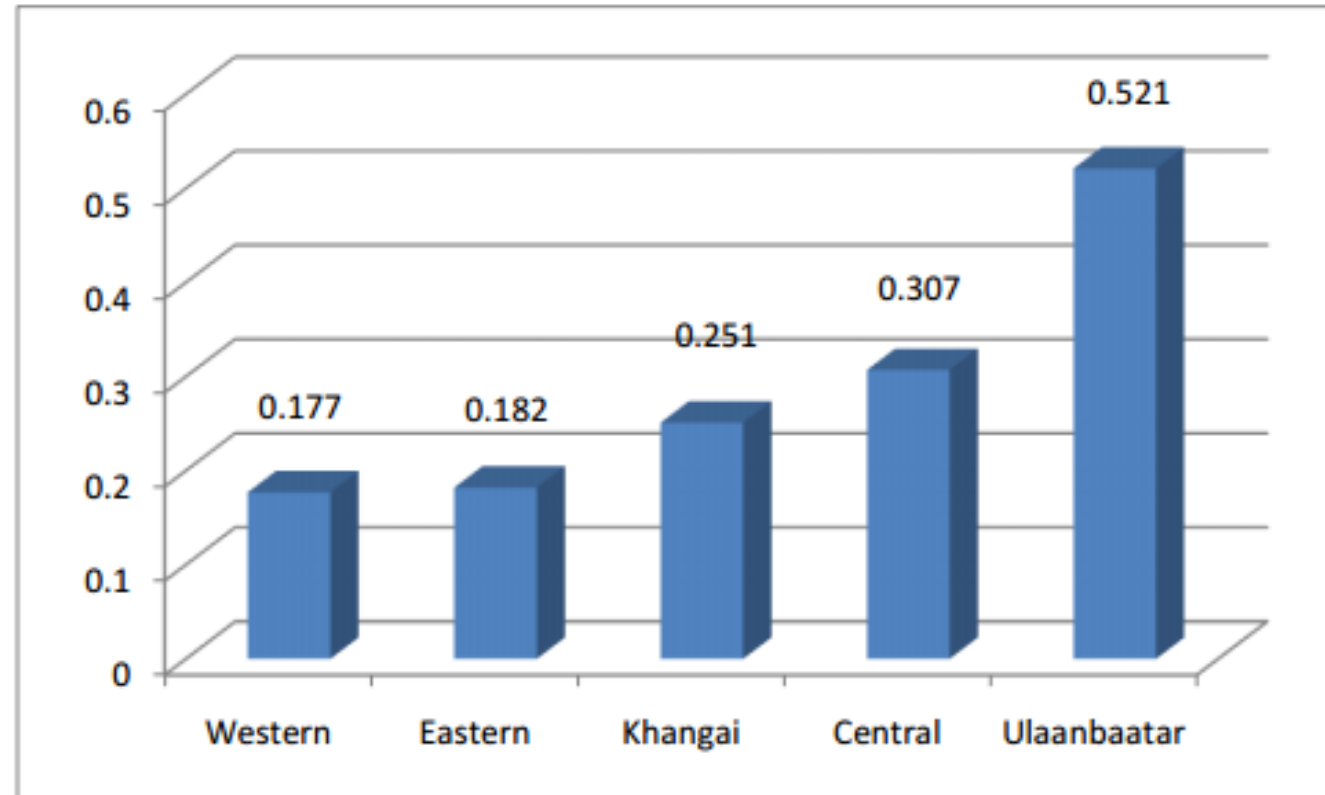
Economic Development in Mongolia

- ▶ The Mongolian government has structured the exploitation of this mine in such a way that it fits into the shareholding organization of the joint venture, while still enjoying the tax revenues generated by this activity.
- ▶ In addition, the inflow of Foreign Direct Investment and the reduction of unemployment suggests that the mine could contribute to the growth of per capita income, thus encouraging more complex indicators such as the UN Human Development Index (based on level of education, income, and life expectancy) to predict a degree of development with no equal in the region.

Development Level by Region

- ▶ Mongolia is comprised of the following regions: Western, Eastern, Khangai, Central, and Ulaanbaatar.
- ▶ Of the nearly 3 million people living in Mongolia, more than 60% live in Ulaanbaatar, the capital city, and the rest live in the countryside.
- ▶ Of these five regions, Ulaanbaatar has the greatest development potential. This is not a surprise, since Ulaanbaatar has major businesses, and universities, colleges, banks, financial, political and legal institutions are located there

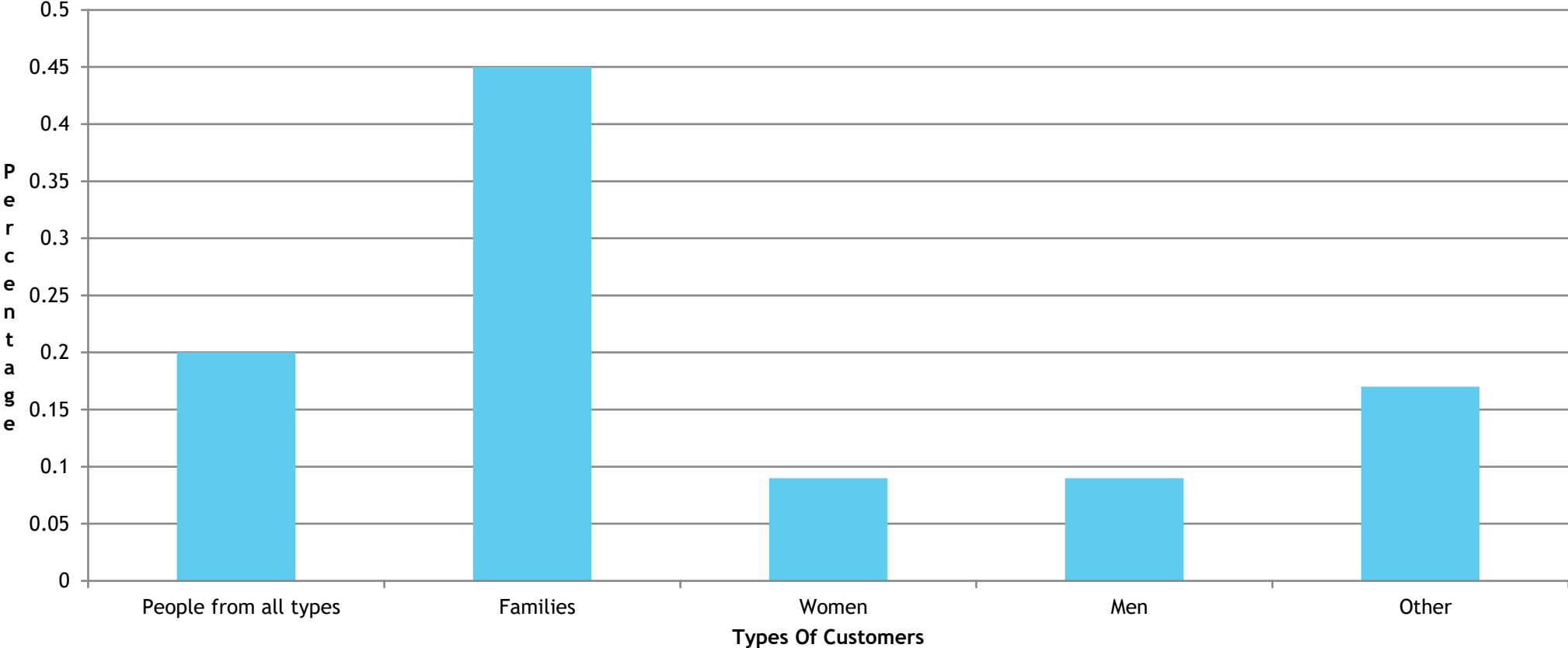
Figure 1.1 Development Level General Index by Region



Mongolia's Customer Base

- ▶ The next slide depicts the customer base in Mongolia.
- ▶ Customers fall into five basic categories, people from all types, families, women, men, and other. People from all types are individuals who are tourists who travel with their families. Families include only the domestic citizens of Mongolia; women, men, and other includes military personnel and individuals who travel alone.
- ▶ These businesses' customer base are set based on the locals' needs; 45% of all customers are families of all the businesses.
- ▶ Following behind are the people from all types who rely heavily on service industries, especially when traveling with their families and friends.

Who are the Customers in Mongolia



Is Future Development Possible?

- ▶ The development undertaken by the country may involve a number of risks, due to the typicality of the predominant economic sector, but more importantly due to Mongolia's demographic and social features.
- ▶ Apart from the capital city, no other urban settlement exceeds ninety thousand settlers, with most city centers consisting of an average of twenty thousand residents.
- ▶ This, combined with the large distances that separate these settlements, creates a layout that discourages investments in mobility or transportation infrastructures

Is Future Development Possible?

- ▶ Although the development of large-scale mining projects have played an integral role in Mongolia's recent economic boom, this also comes with risks.
- ▶ Minerals are the main source of income in Mongolia however, the minerals market is, a sector prone to the volatility of international exchanges in which there is no chance of monopolization and wherein the production of a country is fungible with another.
- ▶ The investments and their performance in this area are heavily influenced by international prices, which could change at any time, making a project less profitable and at risk of closure.
- ▶ Other risks include high inflation, which also impacts the profitability of investments.

Strength in Economic Diversity

- ▶ Despite the risks, the future is not bleak for Mongolia.
- ▶ To prevent the possibility of a “quasi-Dutch disease” happening, it is clear that the proceeds of the dominant sector be re-invested in the industrial diversification of the country.
- ▶ With global engagement in business and education, and with young Mongolians traveling abroad exposed to global cultures, they can ride high, once again, with Chinggis horses under the Mongolian blue skies.