

# Mongolia's Trade Strategies and Korea-Mongolia Cooperation

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## I. Introduction

Amidst the power struggles and rivalries among major powers, which will not likely be resolved easily, the strategic value of so-called economic security is rising. For a country like Korea, which is highly dependent on external conditions, a new advancement in the direction of foreign cooperation is required. In the Korean economy, which possesses scarce natural resources and relatively abundant high-quality human capital, market expansion through trade and efficiency enhancement in resource allocation through international division of labor has long been the foundation of economic growth. Therefore, in the current era of rising unpredictability in the global economy, the establishment of a new external cooperation framework that aligns with the times is more urgent than ever.

Particularly, considering the geopolitical characteristics of Mongolia, which is rich in rare minerals that can be considered strategic materials for the Korean economy, Mongolia's

strategic value becomes even more pronounced in the current situation, where economic security is emerging as an increasingly important value. Therefore, from a mid- to long-term perspective, the expansion of cooperation between Korea and Mongolia holds special significance.

Given this backdrop, this manuscript aims to summarize key conclusions from the work of Jeong et al. (2023). Specifically, it outlines the direction of economic cooperation between Korea and Mongolia, which could help establish a systematic cooperation framework to ensure stable economic collaboration with Mongolia, a country of high strategic value in terms of international cooperation. The areas of cooperation considered here are four sectors expected to generate significant synergy in the economic partnership between the two countries: the mining sector, the digital sector, climate change, and healthcare.

## II. Mongolia's Development Policies for the Four Sectors

### 1. Mongolia's foreign trade strategy and development policies for the mining sector

In order to derive sustainable bilateral economic cooperation strategies between Korea and Mongolia, it is essential to systematically examine Mongolia's mid- to long-term foreign trade strategy. The core principle underlying Mongolia's mid- to long-term foreign trade strategy can fundamentally be summarized as the establishment of balanced foreign relations. From the perspective of economic security, Mongolia aims to achieve balanced cooperation between nations, with a particular focus on attracting balanced investments in the energy and mining sectors. Key policies to achieve this goal include: limiting the share and scale of investment from any single country to no more than one-third of the total foreign investment; restricting investments from foreign state-owned enterprises; maintaining a balanced investment scale in strategically important sectors from neighboring and advanced countries; and mitigating the high dependence on a limited number of markets and range of export and import products.

The basic direction of this trade strategy applies equally to international cooperation for the development of the mining sector. The Mongolian government is fully committed to advancing the mining industry as part of key national development strategies such as Mon-

golia Vision 2050 and the 2020-2024 Mongolian Government Action Plan. Mongolia is particularly rich in mineral resources such as molybdenum, tungsten, copper, and lithium, which are critical to Korea. However, most of these key minerals are being exported to neighboring China, which directly conflicts with Mongolia's foreign trade strategy aimed at achieving balance. This situation arises due to the lack of technological capabilities and manufacturing facilities, which forces Mongolia to export large quantities of unprocessed minerals like molybdenum and tungsten. Additionally, as a landlocked country, Mongolia faces geopolitical limitations that constrain its export market to neighboring countries. Therefore, in order to establish balanced trade relations, it is crucial to enhance the value-added processing of mineral resources and encourage exports to so-called "third neighbor" countries, rather than relying solely on neighboring nations.

### 2. Development policies for the digital sector

In the short term, Mongolia's ICT or digital development strategy focuses on establishing relevant legislation and building e-government systems. However, the government lacks policies aimed at developing the ICT sector as an industry or market. Recently, the Mongolian government has demonstrated a strong commitment to advancing e-government by adopting a series of laws, including the Electronic Signature Act and the Personal Information Act, thereby creating a legal framework to accelerate e-government development. Based on "Vision 2050," the government is

pursuing a mid-term e-government development policy.

Notably, it specifies the systematic promotion of economic development through digital industry advancement as a national strategy. In other words, from a medium- to long-term perspective, the development of Mongolia's digital industry is seen as a tool for economic growth. In particular, the focus is on advancing the financial industry, enhancing the efficiency of transportation and logistics infrastructure, and improving productivity in the manufacturing sector through digital technology development. Emphasis is placed on increasing efficiency through digitalization to promote industrialization. Ultimately, the Mongolian government aims to enhance government governance efficiency, foster competitive and creative citizens, develop the digital economy, and guide the development of the Mongolian economy through the advancement of information technology. To this end, the government has set six goals to advance into a knowledge- and intelligence-based electronic nation by introducing advanced technology and ICT in socio-economic fields such as digital infrastructure, e-government, cybersecurity, digital literacy, innovation and productivity growth, and support for development in other sectors through ICT.

### 3. Policies for responding to climate change

The Mongolian government approved Vision 2050 in 2020, outlining the nation's development direction and policies for the next 30

years, and identified green growth as one of its nine key objectives. This document presents a vision to “contribute to international efforts to mitigate climate change through low-carbon, efficient, and inclusive green growth,” and sets forth a three-phase plan with detailed tasks for each decade leading up to 2050. The specific tasks within the low-carbon and green growth sector can be broadly classified into greenhouse gas reduction, waste management, disaster risk reduction, and securing and managing resources for green growth projects. As a means of securing resources, it proposes supporting domestic green finance mechanisms through public-private partnerships and obtaining funds through international financing. In the first phase, the government aims to establish a foundation for green growth by creating a green finance institution and introducing eco-friendly technologies, with the goal of achieving climate neutrality and sustainable production and consumption by 2050.

The detailed implementation tasks indicate the Mongolian government's interest in strengthening its capacity to respond to climate change, with a particular emphasis on improving capabilities in greenhouse gas emissions measurement, verification, and reporting, as well as in early warning systems for natural and weather-related disasters. In the waste sector, several plans have been established to create an efficient and environmentally friendly treatment system, including the introduction of an integrated management system and the development of relevant regula-

tions and infrastructure. A national afforestation project aimed at increasing greenhouse gas absorption, with a goal of planting 1 billion trees by 2030, is also being pursued. Through the implementation of these policies, the government aims not only to meet the carbon reduction targets outlined in its Nationally Determined Contributions (NDCs), but also to increase the forest area ratio, raise the proportion of public green procurement, increase the waste recycling rate, and elevate the proportion of regularly collected and properly treated urban waste.

#### 4. Development policies for the healthcare sector

In order to enhance the nation's health and medical systems, the Mongolian government emphasizes the advancement of the health and medical sector for human development in its Vision 2050. It sets as a primary goal the "cultivation of citizens with healthy habits and active lifestyles, and the establishment of a high-quality, efficient, and accessible medical system." In February 2016, shortly after the adoption of the SDGs at the 70th UN General Assembly in September 2015, Mongolia approved the "Sustainable Development Vision 2030" to accelerate the realization of the SDGs. Mongolia continues to emphasize the establishment of a high-quality, efficient, and accessible medical system as a core goal in Vision 2030, focusing fundamentally on Universal Health Coverage (UHC) with the principle of "Leaving No One Behind."

Universal Health Coverage is a practical concept aimed at improving health equity. As noted earlier, Mongolia still faces challenges such as the need to improve its response capabilities to infectious diseases, the increase in chronic diseases, insufficient health and medical infrastructure and personnel, and inefficiencies in resource allocation, which are barriers to achieving Universal Health Coverage. In response, Mongolia is seeking to enhance access to medical services, expand coverage, and improve the level and quality of medical care. Specifically, as a lower-middle-income country with inadequate public health and primary care infrastructure, Mongolia aims to achieve Universal Health Coverage through technology and innovation. Mongolia views technology as crucial for equitable access to high-quality services and has identified the introduction of advanced medical technologies and the expansion of eHealth services as urgent tasks.

### III. Economic Cooperation between Korea and Mongolia

#### 1. Mining sector

Cooperation between the two countries is crucial for the high value-added processing of key mineral resources such as lithium and tungsten, which are essential to the industry. Although exports to Korea currently depend entirely on transportation through China by land and sea, there are expectations that high value-added processing of rare minerals like lithium and

tungsten will enable air transportation. Additionally, Mongolia has been actively exploring for lithium deposits since 2020 and is believed to have significant undiscovered high-quality lithium reserves, which bodes well for future cooperation between the two countries. Furthermore, the Mongolian government is promoting large-scale mining development and technology transfer through incentives for foreign investment, creating high potential for cooperation in transportation, logistics, and customs infrastructure development.

It is necessary for Korea to actively participate in the refining of high-quality lithium in Mongolia to ensure a stable supply of strategic materials. This approach not only aligns with Mongolia's mining development goals of high value-added mineral processing but also supports Korea's export competitiveness through mineral resource value addition. This in turn aligns with Mongolia's trade strategy, which aims for balance by making exports possible to neighboring countries as well. Ultimately, cooperation in the processing of key minerals is essential for mineral value addition, making it important to establish a more sustainable cooperation model by advancing cooperation in eco-friendly and sustainable technology. Expanding cooperation across industries also requires collaboration on creating industrial technology clusters. Establishing mineral resource research institutes and facilitating knowledge and expert exchanges between the two countries, as well as providing policy consulting, could be beneficial.

To expand cooperation in mineral exploration, it is essential to gradually participate in existing exploration projects to build a foundation for cooperation. Given that Mongolia is expected to continue developing new mines, it is necessary to proactively prepare to expand this foundation into new exploration projects. Noting that exploration projects are fundamentally preparatory and investment-oriented for future endeavors, systematic support at the government level to mitigate risks is required. Regarding transportation and logistics infrastructure development, the Mongolian government is expected to implement related projects, such as border checkpoint development, in the form of public-private partnerships (PPPs). Therefore, it is important for Korea to encourage private sector participation with a focus on improving access to key mineral mines. Projects such as container transport terminal construction, national railway network expansion, and checkpoint-related road and rail improvements are already being carried out as PPPs. It is anticipated that similar projects will attract foreign private investment in PPP formats in the future, and providing information as well as hedging associated risks will require a government role. Particularly, digitalization of inspections and customs could significantly enhance transportation efficiency, so Korea should positively consider leveraging its advanced digital technology for active participation in these projects.

## 2. Digital sector

Considering South Korea's competitiveness and Mongolia's demand, the current level of

economic cooperation between the two countries in the digital sector is evaluated as less active than expected. The fact that South Korea is not mentioned in Mongolia's "Digital Nation Program" international cooperation section suggests that the Mongolian government does not yet see South Korea as a key ICT partner. Meanwhile, efforts to accelerate restructuring in the financial sector to effectively allocate financial resources is aimed at enhancing the allocative efficiency of the overall economy. In light of difficulties in external fundraising due to the financial sanctions, there are concerns about domestic investment contracting, making the expansion and efficient allocation of domestic investment funds a key challenge for financial sector development. To this end, in addition to the restructuring of incapable financial institutions, the goals include enhancing transparency, commitment, and accessibility through the introduction of digital technology, simplifying and streamlining financial institutions to attract foreign direct investment, activating public offering systems to expand long-term fund procurement, expanding market participation by institutional investors, and enhancing risk management systems.

To promote digital cooperation between the two countries, it will be essential for South Korean companies to enter the Mongolian market. However, the shortage of local ICT professionals in Mongolia is a significant obstacle. Given this reality, it will most likely be difficult to rapidly expand digital trade and investment between South Korea and Mongolia in the short

term. Instead, a long-term approach should be taken by actively leveraging ODA to contribute to the expansion of local ICT infrastructure and workforce development. Based on this, efforts should be made to enhance exchanges between businesses and experts to expand cooperation. Active support in ICT legal, policy, and research advisory services should be provided through KSP projects, and efforts should be made to secure a foundation for enhancing cooperation between businesses and sharing information. As the Mongolian government has recently shown interest in electronic local government and electronic customs systems, this cooperation could involve providing policy advice on these topics or sharing South Korea's experiences in handling various issues arising from digitalization, automation, and AI systems. Utilizing intergovernmental consultative bodies such as the "Korea-Mongolia Joint Committee" can further activate such discussions.

### 3. Climate change

The cooperation between South Korea and Mongolia on climate change response looks to be particularly promising when based on the NDC and Vision 2050 green growth plans, and aligned with relevant issues in the area of climate change. Potential areas for suitable projects can be identified and pursued, which include energy, agriculture, forestry, air pollution, and waste management. In the energy sector, the Mongolian government has declared its intention to reduce greenhouse gas emissions by increasing the use of renewable



energy sources and improving energy efficiency. Despite this, cooperation between Korea and Mongolia in the energy sector, in terms of ODA, investment, and trade, has been limited. Although there have been various discussions about renewable energy projects between the governments and private companies of both countries, cooperation remains insufficient in these fields. Considering Mongolia's power shortage, the continuously increasing electricity demand due to population growth and new city developments, and the high dependency on coal-fired power, the need for energy diversification is significant. The government plans to expand the proportion of renewable energy sources. Therefore, continuous opportunities for cooperation in renewable energy generation, storage devices, and technology for improving generation capacity and efficiency are expected. Additionally, cooperation needs for modernizing infrastructure are expected to increase, mostly due to the aging of power facilities and transmission and distribution infrastructure.

Simultaneously, there is growing interest in technology cooperation for coal liquefaction and gasification using Mongolia's abundant coal resources, foregrounding the need to monitor related discussions and commercialization potential. In the agricultural sector, cooperation is needed for carbon reduction measures through grassland regeneration and pasture management, livestock disease control, and integration of smart and corporate livestock systems for efficient management. Mon-

golia is actively promoting reforestation projects to increase greenhouse gas absorption and improve land degradation control. With large-scale reforestation projects being conducted in the short term, there is expected to be a growing demand for climate-appropriate seeds, seedlings, forestry machinery, related equipment, and irrigation systems. As half of the nation's population is concentrated in Ulaanbaatar, Mongolia faces serious air quality deterioration and waste management issues. In the air pollution sector, cooperation can be expected in areas such as air pollutant emission reduction technologies, heating infrastructure development, improvements in ger areas, and exhaust emission reduction from old vehicles. In the waste sector, collaboration is anticipated in areas such as waste separation and recycling systems, infrastructure for waste treatment and landfills, and methane gas management from landfills.

#### 4. Healthcare sector

Mongolia has faced various health and medical crises while undergoing rapid urbanization and industrialization. The prevalence of chronic diseases among Mongolian citizens has increased due to worsening air pollution and the development of unhealthy eating habits. Moreover, the deterioration in mental health among adolescents amidst rapid social changes has significantly increased the social burden. The ongoing tuberculosis outbreaks and the lack of capacity to respond to new infectious diseases, such as COVID-19, are also threatening Mongolia's health security. As a

result, Mongolia has recently adopted the slogan “Health is National Wealth” and is actively working to improve its vulnerable health and medical services and infrastructure. This presents an opportunity to expand and strengthen health and medical cooperation between Korea and Mongolia. Since signing a memorandum of understanding (MOU) on health and medical cooperation with Mongolia in 2011, Korea has implemented various health and medical cooperation projects based on ODA, considering Mongolia's needs. Notably, the recent strengthening of Korea's position in Mongolia's pharmaceutical and medical device markets, thanks to proactive market creation efforts utilizing Korea's competitive medical capabilities (such as high-quality medical services, advanced medical technology and equipment, and IT-based medical systems), is encouraging.

It is necessary to advance further by exploring cooperation models that contribute to Mongolia's goals of achieving universal health coverage and considering health as national wealth, while also linking medical cooperation to industrial cooperation. To achieve universal health coverage, Mongolia needs a sustainable healthcare system, which requires improving the efficiency and productivity of the system through the use of ICT, future technologies, and appropriate technologies. Additionally, technology and innovation can create new opportunities in emerging industries by expanding the overall health industry. Given that Mongolia's Vision 2050 sets the introduction of advanced medical technologies and the expansion of eHealth services as urgent tasks, there is a need to consider practical measures to gradually enhance cooperation in the smart healthcare or digital healthcare sectors, which integrate ICT, medical services, and medical devices. **KIEP**