

ABSTRACT

The objective of this research poster is to assess the symptoms of the resource curse in Mongolia, as well as determining its causes and possible solutions.

INTRODUCTION

The resource curse paradox, i.e., that resource rich countries tend to have weaker economies than no-resource countries, causes challenges for low and middle-income countries, including Mongolia (Moran, 2013). To avoid the resource curse, Mongolia should undertake three policy measures: diversifying its economy, establishing a sovereign wealth fund and imposing import restrictions.



Source: <http://gadocartoons.com/oil-found-in-turkana/>

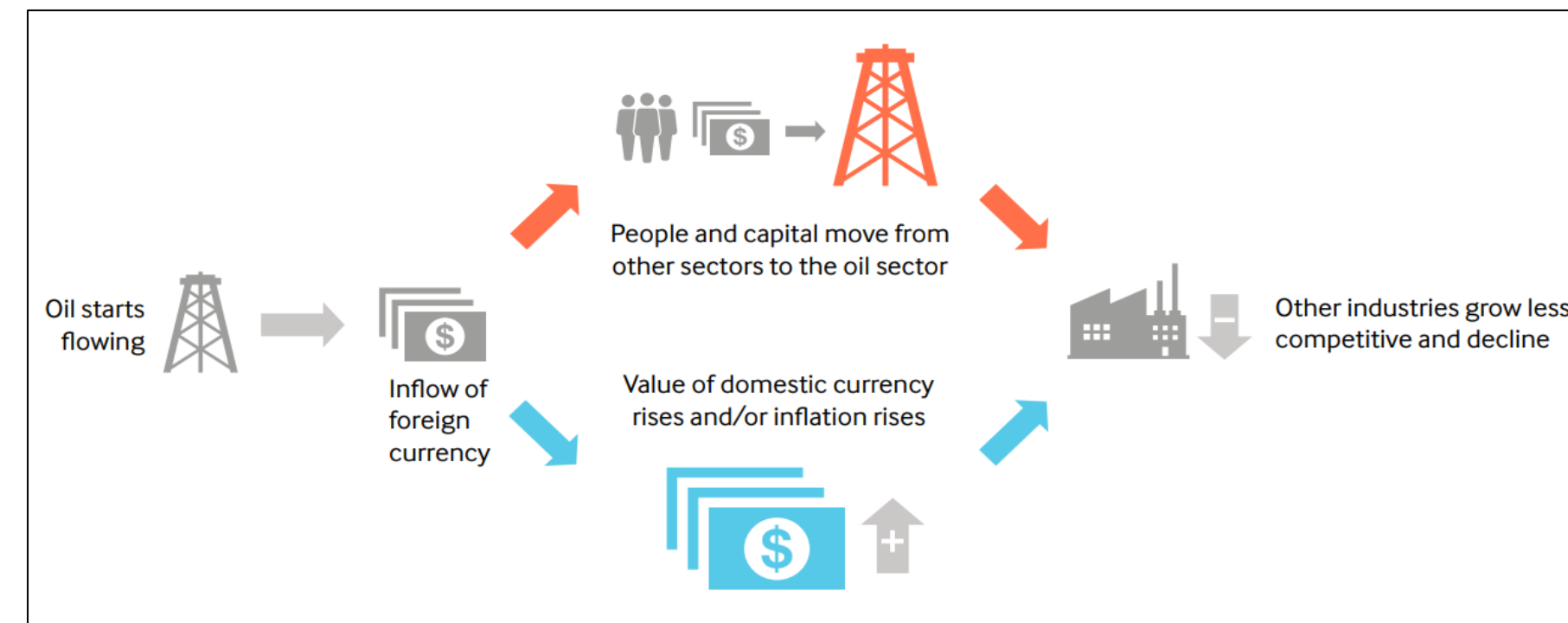
RESOURCE CURSE SYMPTOMS IN MONGOLIA

Brief on the Mongolian economy

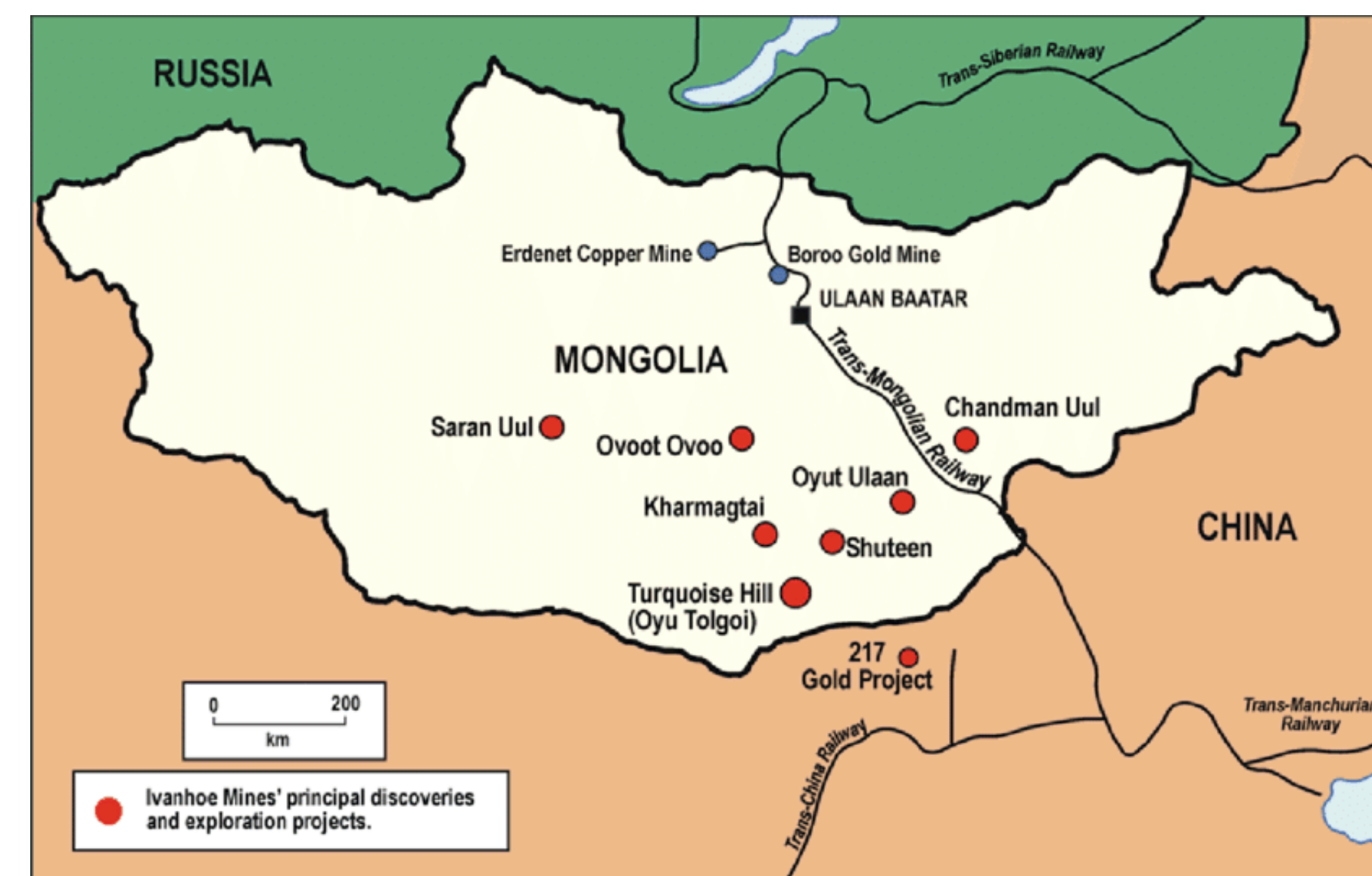
- Landlocked country with abundant deposits of natural resources including copper, gold and coal
- Mining sector--23.8 percent of GDP, 88.6 percent of exports as of end of 2019
- Budget revenue heavily dependent on commodity prices
- Other main economic sectors-- Service sector, Manufacturing and Construction, Agriculture

Resource curse symptoms in Mongolia

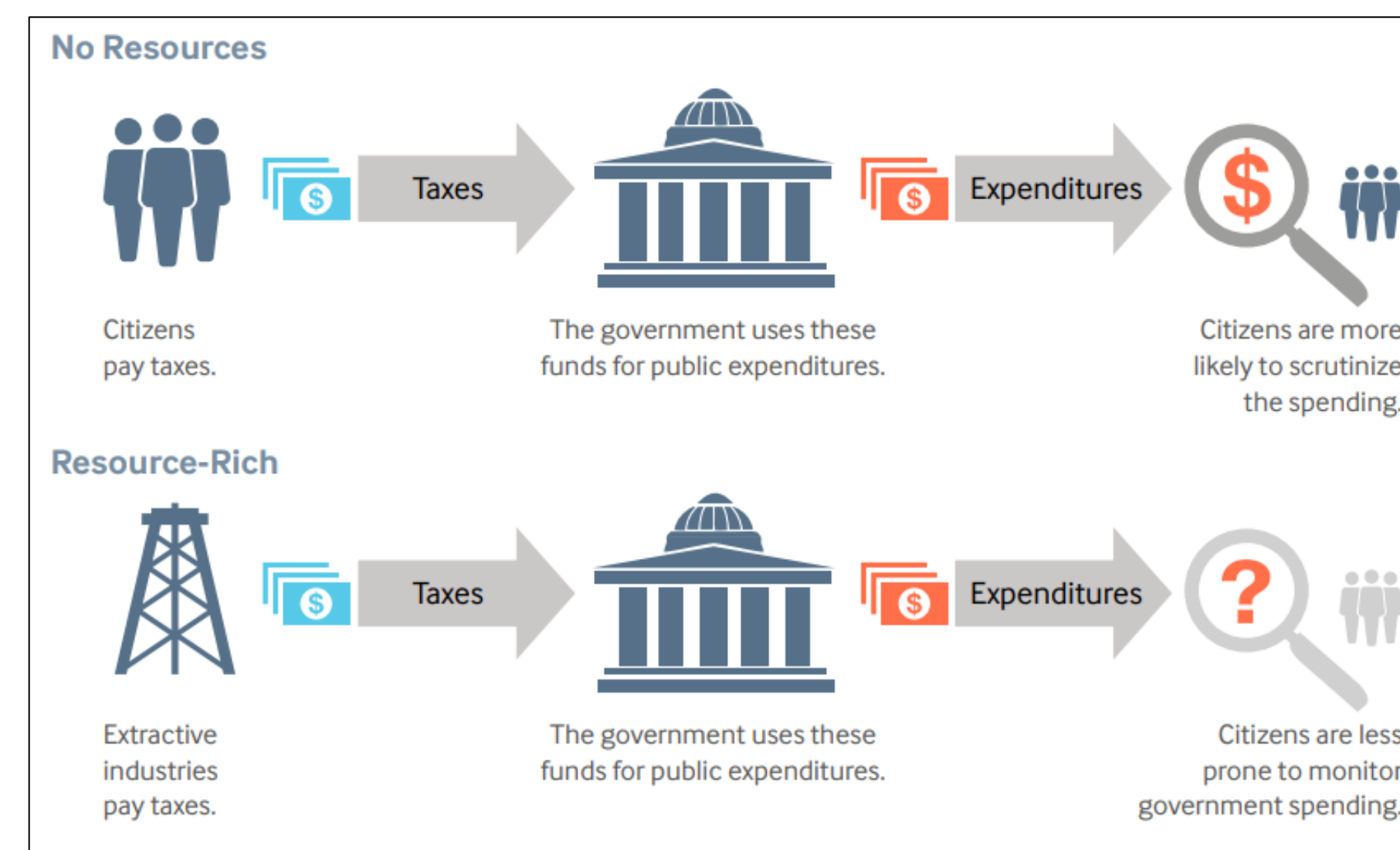
- Mining industry's dominant role in foreign investments and economy
- Low competitiveness of non-mining sectors
- Inefficient government spending of resource revenues
- High dependency on commodity prices for fiscal revenue and economic growth



Source: NRG Reader (2015)



Source: Kirwin et al. (2005)



Source: NRG Reader (2015)

CAUSES OF THE RESOURCE CURSE

- Developing economy
- Lack of economic diversification
- Special characteristics of non-renewable natural resources (NRGI Reader, 2015)
- Government expenditure less monitored by the public (NRGI Reader, 2015)

NEGATIVE EFFECTS OF THE RESOURCE CURSE ON AN ECONOMY

According to Moran (2013), negative impacts include the following:

- Investments and workforce move from other sectors to the mining industry
- Value of the national currency rises
- Other products become more expensive for foreign buyers, and thereby less competitive in an international market
- Sectors other than mining decline and shrink

RECOMMENDED SOLUTIONS

- Diversify the Mongolian economy by developing the agriculture and manufacturing industries
- Establish a sovereign wealth fund to support sustainable development
- Impose import restrictions on non-mining products and support non-mining domestic industries

CONCLUSION

In the long term, implementing the solutions proposed above will not only help Mongolia avoid the resource curse, but also support its economy as it develops in a sustainable way.

References:

Kirwin, D. J., Wilson, C. C., Turmagnai, D., & Wolfe, R. (2005). Exploration history, geology, and mineralization of the Kharmagtai gold-copper porphyry district, South Gobi region, Mongolia : 8th Biennial SGA Meeting, London, 14-16, August 2005

Moran, T. H. (2013). Avoiding the "resource Curse" in Mongolia (No. PB13-18). Washington, DC: Peterson Institute for International Economics.

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