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### How Can Mongolia Avoid the Resource Curse?

Batbayar Baatarkhuu

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## 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/>

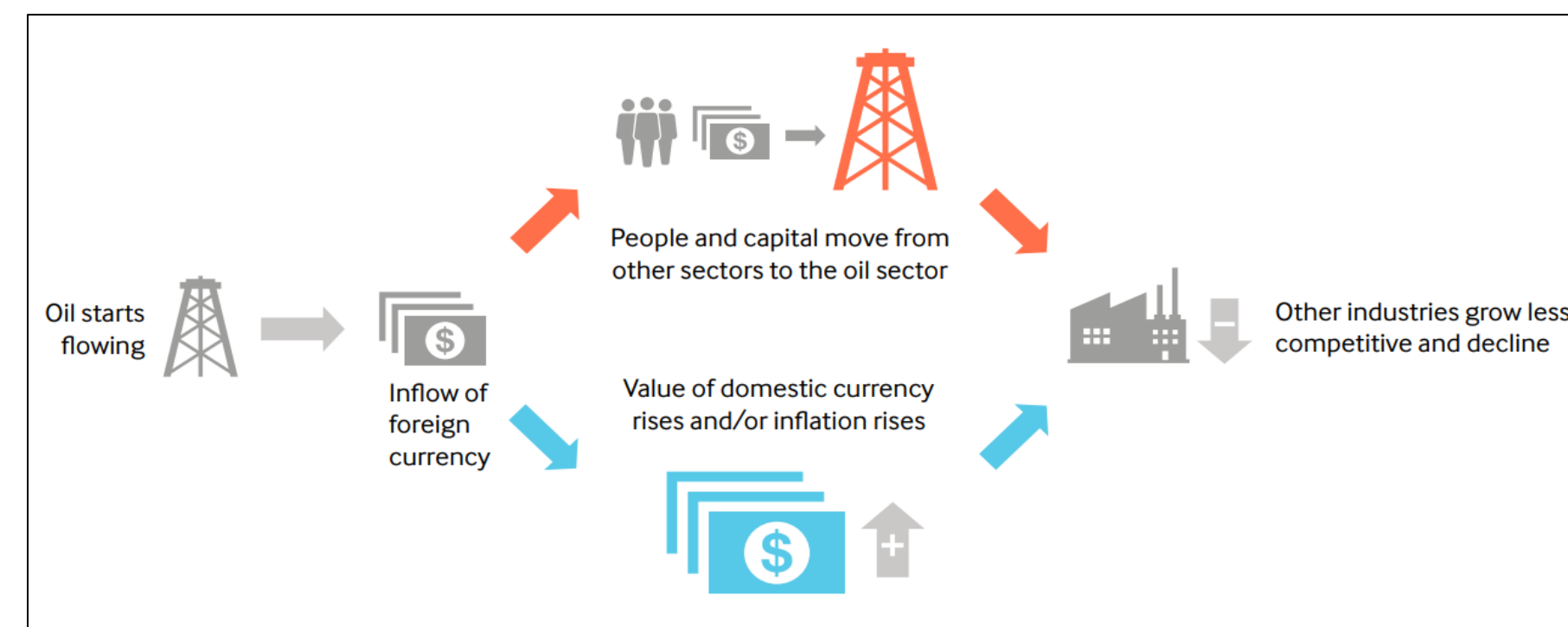
## RESOURCE CURSE SYMPTOMS IN MONGOLIA

### Brief on the Mongolian economy

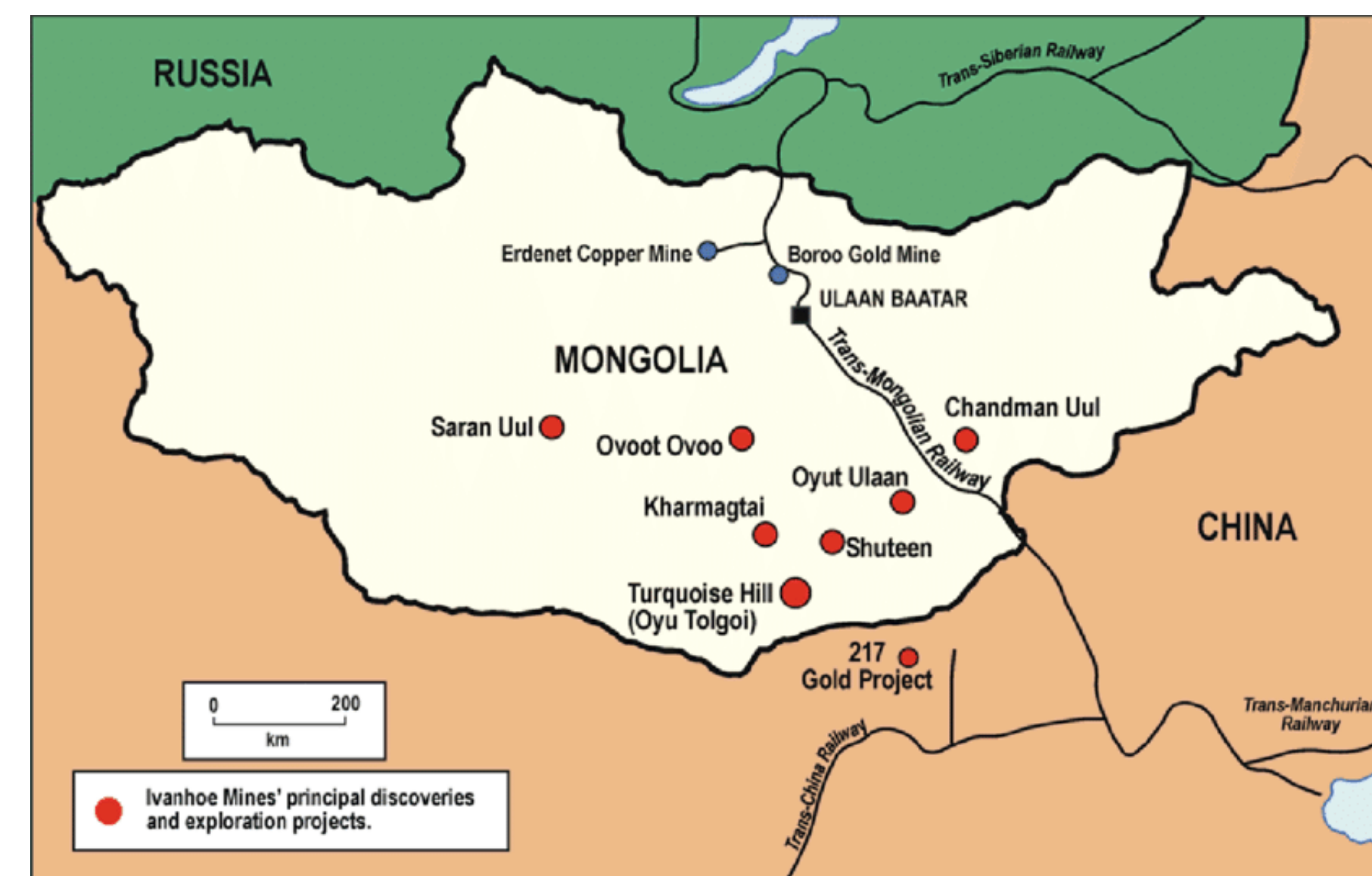
- Landlocked country with abundant deposits of natural resources including copper, gold and coal
- Mining sector--23.8 percent of GDP, 88.6 percent of exports as of end of 2019
- Budget revenue heavily dependent on commodity prices
- Other main economic sectors-- Service sector, Manufacturing and Construction,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

### Resource curse symptoms in Mongolia

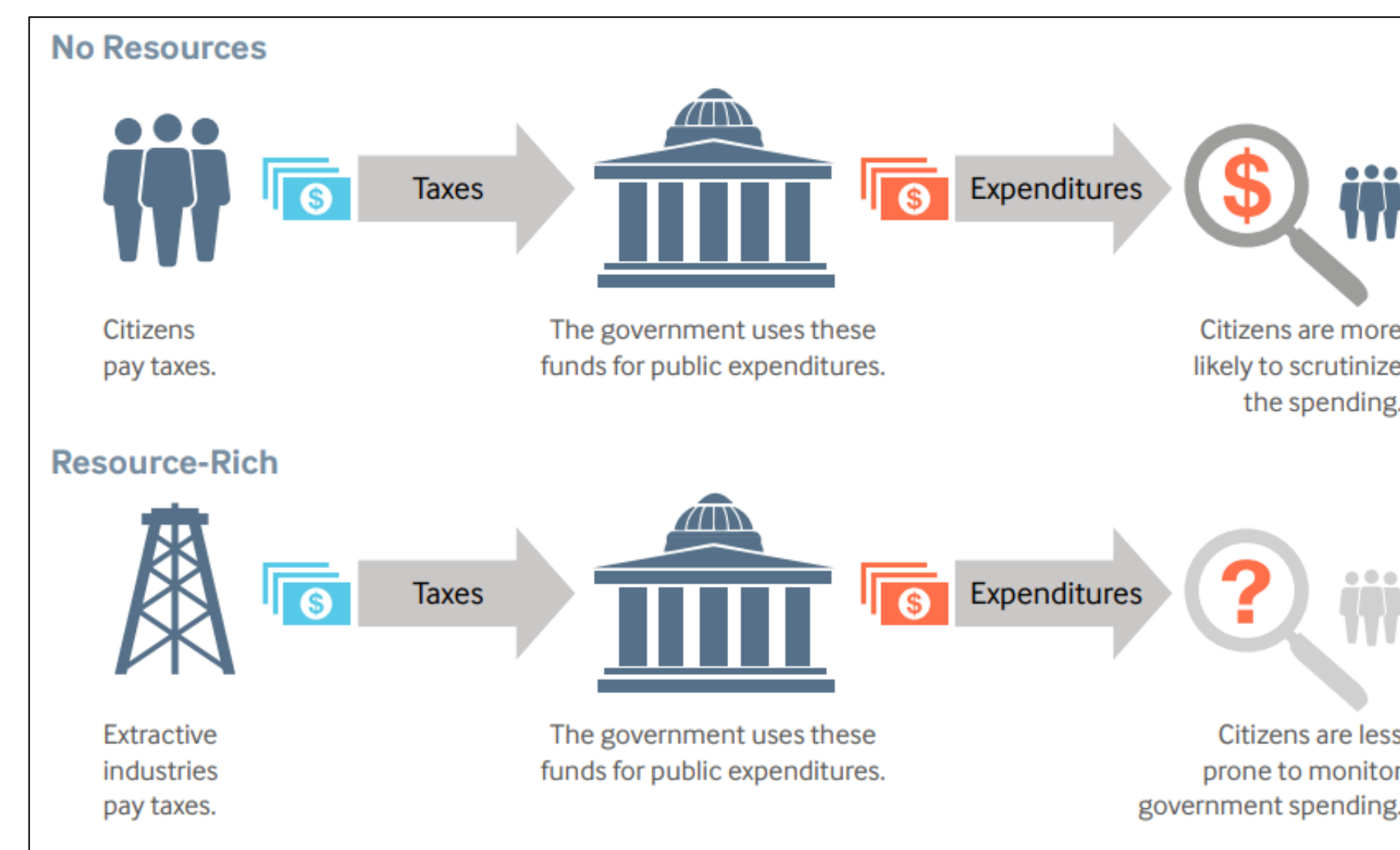
- Mining industry's dominant role in foreign investments and economy
- Low competitiveness of non-mining sectors
- Inefficient government spending of resource revenues
- High dependency on commodity prices for fiscal revenue and economic growth



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.

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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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