

# Harnessing trade opportunities in transition to a green economy in Mongolia

## Policy Brief

Pursuing the pathway of green economy can serve as a driver for development, resilience and the achievement of several Sustainable Development Goals (SDGs), such as goal 7 on energy, goal 8 on economic growth, goal 12 on sustainable consumption and production, and goal 13 on climate action.

Trade is closely related to green economy in several ways. The transition towards a green economy provides new opportunities for trade, in sectors such as environmentally sound technologies, climate resilience, renewable energy, circular economy, sustainably certified consumer goods and agricultural products. On the other hand, trade policy instruments—be it tariff reduction for renewable energy products, market opening for environmental services, standards for resource efficiency, sustainable public procurement, trade facilitation and finance—can serve as an effective tool to drive market and accelerate transition towards an Inclusive Green Economy. This also offers opportunities for developing countries to participate in regional and global value chains and diversify their economies.

Since 2008, the Inclusive Green Economy concept has emerged as a new strategy for a growing number of countries. The [Partnership for Action on Green Economy \(PAGE\)](#) was launched in 2013 as a response to the call at Rio+20 to support those countries wishing to embark on greener and more inclusive growth trajectories.

### What is Green Economy?

The UN Environment defines a green economy as one that results in improved human well-being and social equity while significantly reducing environmental risks and ecological scarcities. It aims to achieve triple-wins of social, economic and environmental development. As an important pathway for sustainable development, Green Economy adds a new dimension on trade and sustainable development.

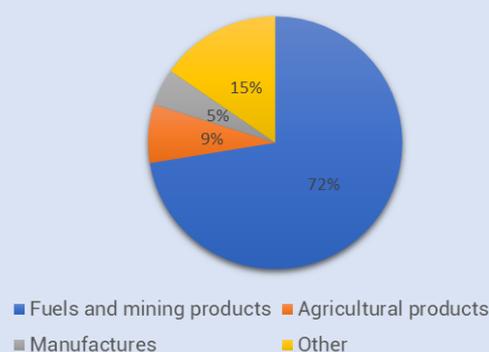
In such an economy, growth is driven by investments that:

1. Reduce carbon emissions and pollution
2. Enhance energy and resource efficiency
3. Prevent the loss of biodiversity and ecosystem services
4. Increase the number of decent jobs
5. Ensure equitable distribution of income and wealth

## Trade and policy landscape towards a Green Economy in Mongolia

- Foreign trade has played an important role in the socio-economic development of Mongolia. In 2016 the total trade turnover reached US\$ 8.2 billion (US\$4.9 bn exports and 3.3 bn imports).
- The main trading partners of Mongolia are China, EU, Russia, Singapore, Japan and South Korea. Mongolia depends on China for more than 60% of its external trade - China receives 79% of Mongolia's exports and supplies Mongolia with more than one-third of its imports. Mongolia also relies on Russia for 90% of its energy supplies.
- The country's exports are concentrated in a few items; mineral products and commodities make up 89% of the entire export. Cashmere products, which are relatively well known in Asia and Europe, are also gaining momentum. In addition, food products are emerging with great export potential.
- Mongolia, being a landlocked country, faces additional challenges in terms of trade costs and is heavily dependent on exports of raw materials while lacking market diversification. This makes its exports vulnerable to changes in natural resources, environment and climate. However, if managed properly, trade and regional value chains could also bring economic benefits, jobs, and advanced technologies that could help to improve resilience to both economic and environmental risks.
- In 2014, in response to the outcomes of the 2012 Rio+20 conference, Mongolia adopted the National Green Development Policy (NGDP). It provided a national framework with clear goals for green development.

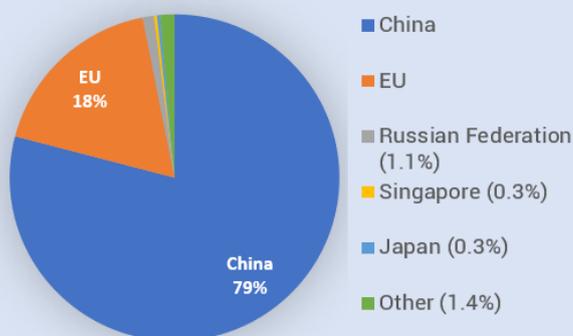
### Exports (in %) by commodity group



Source: WTO, Mongolia's Trade Profile 2016

## Green Trade Opportunities in Mongolia

### Total exports (in %) by destination



Source: WTO, Mongolia's Trade Profile 2016

Mongolia approved in 2016 the National Green Development Policy (NGDP) Action plan for the 2016-2030 period. It provides a national framework with clear goals for green development, with trade related focuses such as sustainable consumption and production, sustainable ecosystem, increased investment in natural capital, human development, and green technology.

Efforts have been made to facilitate and expand international trade by improving market access. Mongolia ratified the WTO Trade Facilitation Agreement (TFA) in 2016. It also established bilateral investment and trade agreements with 43 countries. At the same time, new agreements and initiatives are being developed such as the Mongolia-China-Russia Economic Corridor, trade agreement with the Eurasian Economic Commission (EEC), and free trade agreements with South Korea and China.

Except for cashmere and wool, Mongolian animal products constitute only a small share of foreign markets. However, Agriculture has been identified as a priority economic sector in the Sustainable Development Vision 2030 (SDV) launched in 2016. Green production of beef and cashmere has a great potential to access foreign markets.

- The agriculture-related approaches to achieve the objectives of the 2014 Green Development Policy are to improve agricultural products supply chains and networks, support the introduction of environmentally friendly storage and packaging technologies for agricultural products and increase the processing of raw materials such as leather, wool and cashmere.
- Mongolia has been assessing standards for agricultural products. In 2014, the Mongolian National Chamber of Commerce and Industry approved the Procedure for issuing "Certified Organic" labels. The Government of Mongolia, with the support of Food and Agriculture Organization from the United Nations (UN FAO), developed a law on organic food, taking into consideration the International Federation of Organic Agriculture Movements' Common Objectives and Requirements of Organic Standards (IFOAM COROS). The law went into force in January 2017 and aims to regulate all aspects of organic agriculture.
- The 4th session of the United Nations Environment Assembly (UNEA 4) adopted a [resolution on sustainable infrastructure](#) initiated by Mongolia. It is expected to facilitate trade and access to regional value chains.

## Challenges for harnessing green trade in Mongolia

- Mongolian agricultural industry, and in particular the livestock industry, is affected by extreme climate conditions, and has suffered from environmental degradation.
- Mongolian producers throughout value chains lack the knowledge and capacity to integrate into regional and global green value chains. There is also a need to improve trade facilitation and transport connectivity as a key infrastructure for trade.
- Policy incoherence on green trade has so far limited the creation of an enabling environment to grow business in green sectors

## Policy recommendations to unlock green trade in Mongolia

- A coherent and targeted export strategy is needed, with focus on driving export of sustainable produced agriculture products such as meat and cashmere. This could help to diversify the economy and accelerate transition towards an Inclusive Green Economy
- Include sector-oriented export promotion activities or initiatives to help producers explore global market and build brands. Standards and certification systems could be strengthened with full incorporation of sustainability considerations and link to SDGs
- Technical support to policy makers and producers could help to improve capacity of identifying and harnessing green trade opportunities and connecting to regional and global value chains of sustainable products

### Case Study: The meat industry in Mongolia

The meat industry has traditionally been an important economic sector in Mongolia. Despite its increased production, revenue generation, employment and export growth, the industry is affected by extreme climate conditions and the producers across the value chain are increasingly becoming vulnerable to climate change.

Given its geographic proximity to large markets like China and Russia, Mongolia has the potential to become a major player in the global organic meat trade. But standards need to be applied. In 2015, meat production was 448.3 thousand tons, but meat processed through large-scale mechanized means was only 12.6 thousand tons, less than 3% of total production.

Key challenges of trade in sustainably certified meat products are extreme weather events, lack of capacity to be certified by international standards and labels, constraints in transport and logistics, lack of knowledge and technical skills for sustainable management of production and supply chains.

## About this project

Mongolia joined the Partnership for Action on Green Economy (PAGE) in 2013 and is leading the way in reframing its economic policies around sustainability towards an inclusive green economy. In this context, the [Environment and Trade Hub](#), together with Mongolia government, initiated this project under the PAGE framework, with the objective of supporting Mongolia's efforts to implement the 2030 Agenda and National Development Policies by enhancing its capacity to identify and benefit from green trade opportunities.

As part of the project, the following activities were conducted: a baseline study on trade and green economy in Mongolia; capacity building for trade and environment policy makers and practitioners; experts' workshop to share good practices and experience; consultation with trade and environmental negotiators.