



KOREA-MONGOLIA ECONOMIC RELATIONS: CURRENT STATUS AND COOPERATION MEASURES

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Abstract

Since the establishment of diplomatic relations in 1990, Korea and Mongolia have broadened cooperation in various areas such as politics, economy, society, and culture given their geographical proximity and cultural similarities. However, the progress of economic cooperation which has been identified as one of the pillars of Korea-Mongolia cooperation is still weak in comparison with other areas. Thus, it is important to analyze achievements and limitations of economic cooperation with Mongolia, which has emerged as a burgeoning new market of Eurasia, and find new measures to elevate their economic relations to a new high moving forward. In this context, the main objective of this research lies in looking back upon the past 26 years and developing a new strategy on economic cooperation measures. Korea needs to formulate a new strategy that provides a coherent, systematic framework for cooperation with Mongolia and implement it consistently. Holding bilateral summit meetings and Korea-Mongolian forums on a regular basis, strengthening high-level networking, and concluding free trade and visa exemption agreements are necessary.

Introduction

Since the establishment of diplomatic relations in March 1990, Korea and Mongolia have maintained cordial relations, and expanded their cooperation in areas including politics, economy, society, and culture given their geographical proximity and cultural similarities. However, the progress of economic cooperation is still weak in comparison with other areas. One of the root causes of this lies in the views held by Korea on Mongolia; which is seen as a small domestic market with undeveloped industry, and a landlocked country located between China and Russia.¹

However, recent rapid change in the global economic order has made Eurasia significantly important. As a result, Mongolia's strategic value to Korea has grown significantly. Although the scale of the market and the necessary environment for investment is far from favorable, Mongolia is one of the world's 10th richest countries in mineral resources, and its agricultural livestock sector has high potential for growth. This makes Mongolia a promising country with enormous development potential in the medium to long term. Furthermore, Mongolia is geographically in the junction connecting Europe and Asia and is strategically located with direct access to China and Russia, two of the largest emerging markets. In this respect, Mongolia could become the pillar for Korean food and other resource security, a logistical bridgehead for Korea to make inroads into the Northern regions in the future. Therefore, under Park Geun-hye's administration Mongolia has been set as one of the main bases in establishing Eurasia transport logistics, energy resources, and trade network for which the Eurasia initiative is aiming.²

In relation to this, the purpose of the research is to review the relationship with Mongolia over the last 26 years and to seek

a new strategy for bilateral economic cooperation. First of all, I examine the impact of economic cooperation between Korea and Mongolia in light of trade and investment cooperation, evaluate its effectiveness, and suggest solutions to problems. Next, I look into the economic policies and prospects of Mongolia, and suggest promising sectors for economic cooperation between Korea and Mongolia. Finally, I suggest a strategic way to increase economic cooperation with Mongolia.

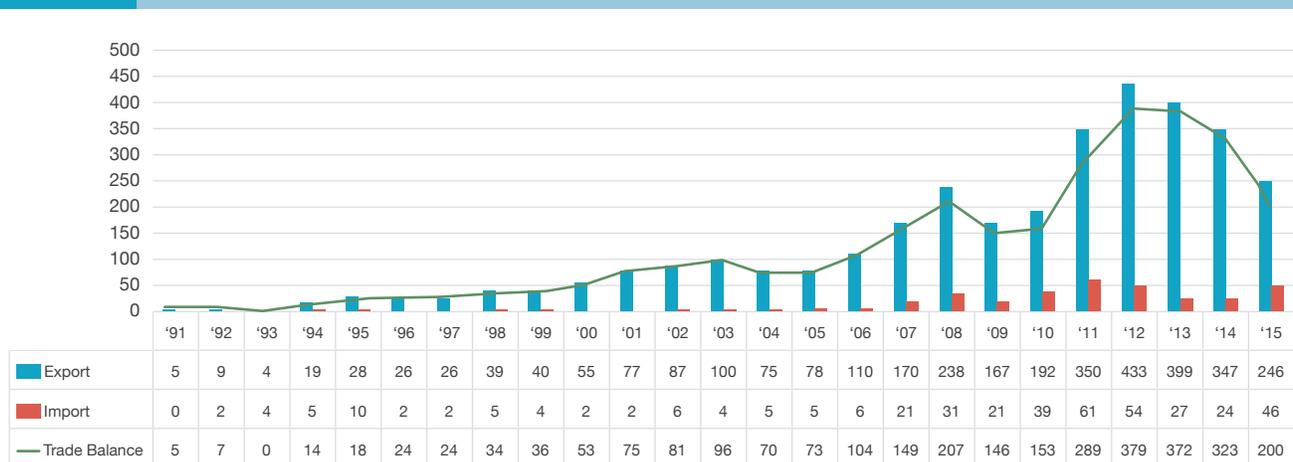
Current Status and Achievements of Economic Cooperation between Korea and Mongolia

Since the establishment of diplomatic ties, trade between Korea and Mongolia has been increasing—gradually in the beginning, and more rapidly in the mid-2000s. As indicated in Figure 1, trade between the two countries was \$23.5 million in 1994 and reached \$270 million in 2008. Despite a drop in 2008-2009 due to the world financial crisis, trade reached a new annual high of \$487 million in 2012. After that, trade between the two countries reversed to a downward trend and fell to \$292 million in 2015, mainly due to a decline in global commodity prices and an economic slowdown in Mongolia.

In 2015, Korea was Mongolia's 4th biggest trade partner following China, Russia, and Japan. Apart from 1990, the first year of establishing diplomatic ties, Korea has recorded a consistent trade surplus with Mongolia. The total recorded trade surplus in 2015 was \$199 million, reaching 68 percent of the total trade volume of both countries. Nonetheless, the portion of trade volume with Mongolia accounts for far less than 0.1 percent of Korea's total trade.

In the 1990s Korea mainly exported cars, medical devices, computers, and textile goods to Mongolia and imported mineral

Figure 1 Korea's Exports and Imports with Mongolia (\$ millions)



Source: Korea International Trade Association (www.kita.net)

resources from Mongolia. The goods that have been exported and imported between Korea and Mongolia have not changed since then. In 2015 Korea's main exports were capital intensive goods including vehicles (16.1 percent), boilers, machinery (13 percent), electric appliances, equipment (7.7 percent), and mineral fuels (7 percent). Korea's main imports are minerals, raw materials, and labor-intensive goods such as copper (47.9 percent), ores, slag, and ash (27.2 percent), salt, sulphur, earths, and stone (12.3 percent), and articles of knitted or crocheted apparel (2.4 percent).

Korea's direct investment in Mongolia started in 1994. From 1994 to 2015, Korea's direct investment to Mongolia grew from \$0.24 million to \$38.83 million. From 1994 to 2015, Korea's cumulative FDI to Mongolia amounted to \$428.84 million. However, this only accounts for 0.1 percent of Korea's total investment abroad.

Figure 2 shows the status of annual direct investment from Korea to Mongolia. In the mid-2000s, Korea's direct investment to Mongolia increased rapidly, mainly due to the boom in the mineral exploitation of natural resources in Mongolia. However, the global financial crisis stopped the rise of Korea's direct investment in Mongolia temporarily, which only began to increase after the crisis. Recently, Korea's direct investment to Mongolia has decreased due to Mongolia's sluggish economy and a decline in global commodity prices. Twenty-seven percent of Korea's total cumulative direct investment until 2015 was invested in the mineral sector, 17.2 percent in whole and retail sales, 12.8 percent in the construction sector, and 12.1 percent in the real estate and leasing sector.

Korea's direct investment to Mongolia flowed into whole and retail sale sector, lodging, and restaurant businesses on a small scale in the 1990s. Since the 2000s, Korean investors have begun expanding into various fields in the Mongolian market including publishing, publications and movies, real estate, and the mineral industry. The mineral sector in particular has been a growing investment trend since 2008,³ along with the

construction, small manufacturing industry, and agricultural sectors. Until 2015, Korea's direct investment to Mongolia consisted of small businesses (55.5 percent), large companies (27.8 percent), and individual or private companies (16.7 percent) based on investment amounts.⁴

The objective of Korea's investment into Mongolia, meanwhile, is mainly to penetrate local markets: 58.7 percent of Korean companies investing in Mongolia aim to advance into Mongolian markets, 12.3 percent of them to participate in exploitation of Mongolia's natural resources, and others to promote exports and to take advantage of a cheap labor force in Mongolia.⁵ Few Korean companies in Mongolia intend to enter into third country markets like China, Russia, and the EU.

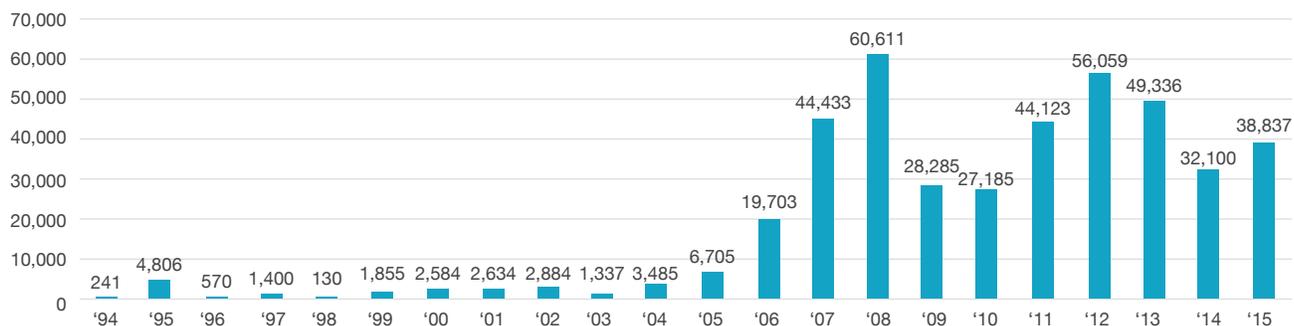
Evaluation and Future Agenda of Korean-Mongolian Economic Cooperation

As previously mentioned, over the past 26 years, bilateral economic cooperation between Korea and Mongolia has lagged behind political and socio-cultural cooperation. Meanwhile, the two countries' presidents and high-level officials formed various agreements on economic cooperation. However, only a few of the agreements have been executed. In 2012, trade between the two countries reached its highest level, \$487 million, but since then it has decreased to \$292 million. Korea's total cumulative direct investment in Mongolia is significantly below the level of China, Russia, the United Kingdom, or Singapore.

The composition of Korea's major export items to Mongolia has changed over the years from fabric, intermediate goods, and light industry goods to automobiles, trucks, and heavy machinery. Yet Korea's trade with Mongolia is still concentrated in a few primary commodities and lacks product diversification. Korea's direct investment to Mongolia, albeit still small, has nonetheless grown consistently over the years and has recently diversified into various new sectors. In the early years of their relations, Korea's FDI to Mongolia mainly originated from

Figure 2

Korea's Annual Direct Investment to Mongolia (\$ thousands)



Source: Export-Import Bank of Korea (www.koreaexim.go.kr)

individuals and small firms, but recently participation by large corporations has shown growth. Nevertheless, most resource development projects in Mongolia that are being carried out by Korean firms have not moved into the development stage. In comparison with China, Canada, and Russia, Korea's FDI in Mongolia's mineral resource development sector has generally been less successful.⁶ This is partly due to Korea's relatively small amount of FDI per project as well as gross FDI compared to other major investor countries. From the above, one can conclude that the economic cooperation between Korea and Mongolia falls dramatically short of its potential.

The main obstacles to the expansion of economic cooperation between the two countries are as follows. First, the Mongolian government has frequently revised and amended laws and associated regulations. In addition, corruption within the public sector, including bribery of public officials, is a serious problem.⁷ Second, there are several negative factors that make Korean investors reluctant to invest, including a small Mongolian domestic market, costly logistics due to lack of infrastructure, harsh weather especially in winter, poor working conditions, and structural vulnerability in the banking sector. Third, Korean firms have pointed out poor competitiveness due to low labor productivity, opaque administrative processes, and frequent changes of officials in charge causing instability and lack of consistency, as the main hurdles to doing business in Mongolia. Looking in more detail, it is often difficult to establish a human network in Mongolia due to frequent changes of officials in charge and to meet deadlines as subcontractors in Mongolia often dishonor their contracts. Mongolia's wage was equivalent to about half of Korea's, but Mongolia's labor productivity only reaches 20 percent of Korea's labor productivity. Hiring Chinese experts in industrial machinery is impossible due to quota restrictions on the foreign labor force. Fourth, Korean firms faced a lack of access to adequate market information in Mongolia, and as a result were not able to seize business opportunities. Therefore, Korean firms lack bargaining power in comparison to firms from developed countries who entered the mineral resources development sector earlier with enough local market knowledge. Fifth, the expansion of economic cooperation was inhibited by high airfare between Korea and Mongolia. Average international airfare is around \$100 per hour, but a round trip from Korea to Mongolia, which takes about three hours each way, costs over \$800. Mongolian government officials suggested opening the Incheon-Ulaanbaatar route to other carriers but opposition by Mongolian Airlines (MIAT) prevented the proposal from being realized.⁸ According to a recent survey of Korean firms in Mongolia,⁹ inconsistent implementation with diverse interpretations of tax law and arbitrary taxation by officials, were also viewed as major obstacles to the business environment. The Mongolian government's easing of visa restrictions and issuing long-term visas will help vitalize economic cooperation between Korea and Mongolia.

Mongolia's Economic Policy and Promising Cooperation Sectors

Mongolia's Economic Policy and Outlook

In 1990, Mongolia transformed its economy from a centrally planned system to a market system. Like most transition economies, Mongolia had suffered severe economic downturn in the early stage of economic transition. But soon after, Mongolia achieved relatively rapid macroeconomic stability by abandoning inefficient socialist models, adopting high-level economic reforms, and establishing democracy. Mongolia, the world's 10th richest in mineral resources, is on the verge of a new leap forward after achieving a high degree of economic growth in the 2000s driven by the mining sector.

The mining sector makes an essential contribution to Mongolia's GDP, which is why the government of Mongolia has recognized it as a strategic priority sector. And in 2007 the Mongolian government developed a national development strategy, Millennium Development Goals of Mongolia (2007-2021), focusing on the exploitation of its mineral resources and facilitating the mineral processing industry. The goals of the national development strategy are to facilitate human resource development, create a knowledge-based economy based on high-end technology, and transform into a middle-income country through fostering a democratic system of governance.¹⁰ The national development strategy is to be implemented in three phases. The current level of economic structure was defined by the Mongolian government as a natural resource-based economy. Based on this, the Mongolian government developed a strategy aimed at promoting the efficient exploitation of natural resources and to accumulate capital. The next stage is defined as an investment-based economy in pursuit of diversification of industry and fostering strategic industries using accumulated capital. The final stage is a knowledge-based economy, aimed at fostering a high value-added industry. Supported by high mineral resource prices, Mongolia has achieved extraordinary economic growth rates, including 17.3 percent, in 2011. However, after 2011, Mongolia's economic expansion started to slow down gradually; recording 12.3 percent in 2012, 11.6 percent in 2013, 7.5 percent in 2014, and 2.3 percent in 2015. Mongolia's economic slowdown was driven by a combination of complex factors such as large drops in commodity prices, a long-delayed development at Oyu Tolgoi, shrinkage in FDI flows, decrease in export volume to China, devaluation of *tugrik* due to a decline in foreign exchange reserves, and inflationary pressures. Against this backdrop, the prospects for the Mongolian government's goal of becoming a middle-income country with GDP per capital \$12,000 by 2021 remains grim.

Not only is Mongolia highly dependent on foreign trade and investment, but it is also heavily affected by the global economy. Granted, there is considerable uncertainty around economic

forecasts for Mongolia. The IMF has predicted that Mongolia will achieve 0.4 percent growth in 2016, a slight recovery in 2017, and then around 5 percent annual growth from 2018.

Even if Mongolia is currently experiencing an economic slowdown, the mid- and long-term economic outlook remains relatively positive for a number of reasons. First of all, Mongolia is not only one of the world's top ten countries with the most mineral resources, but also is strategically located with direct access to China and Russia, two of the largest emerging markets. Second, due to the fact that the Mongolian People's Party won a landslide victory in parliamentary elections on June 29, 2016 (65 out of 76 seats in the parliament), it is possible for it to lead to a stable government over the next four years. Third, because the Mongolian People's Party has a friendly attitude towards foreign direct investors, there are high expectations that the Oyu Tolgoi phase II project will resume in the near future.

Essentially effective implementation of the national development strategy will depend on the willingness and ability of its leaders, building adequate infrastructure and developing highly skilled human resources. In this respect, the new government should take fresh initiatives in creating a friendly investment environment by reducing government regulations, vitalizing the private sector, and setting up proper economic policies in order to gain foreign investors' credibility.

Promising Fields of Cooperation with Mongolia

To promote mutually beneficial cooperation between Korea and Mongolia to a new high and in new forms, Korea needs to break out of existing patterns of cooperation mainly comprised of Korean firms investing in restaurants and the broader service industry. Instead, the Korean government should encourage investment into the exploitation of the mineral resource industry, and small and medium-sized businesses to enter into Mongolian market. Korea should also engage in reciprocal

cooperation with Mongolia by aligning cooperation measures with Mongolia's national development strategy which focuses on the diversification and modernization of its industry. Economic cooperation between Korea and Mongolia will be able to grow consistently when cooperation is carried out in promising sectors. It is recommended that future economic cooperation should focus on the key areas indicated below.

First, bilateral economic cooperation in Mongolia's mineral sector is considered to be promising. To diversify supply routes of mineral resources for realization of its own energy security, Korea should actively enter into the mining industry of Mongolia, a country with abundant mineral resources. In order to do so, Korea needs to put more efforts in understanding Mongolia's interests. Mongolia holds a negative perception of foreign firms extracting and exporting raw resources without processing the materials inside the country. The Mongolian government, for the sake of job creation and the enhancement of the industrial structure, encourages development of mining-processing plants. In other words, the Mongolian government is implementing a policy whose objective is to transform mineral resources such as copper and gold into finished products and export them in order to maximize profits by increasing the added value and to create more employment opportunities. In this regard, the demand for copper smelters, steel mills, oil refineries, and coal preparation plants will likely rise in the near future. Korea should therefore give positive consideration to entering these markets.

Second, the transportation infrastructure and construction sectors have high potential for cooperation. Mongolia lags behind in transportation infrastructure, such as rail and roads, because the population is only about three million people compared to its vast territory. Furthermore, Mongolia is a landlocked country located between Russia and China, thus it has no seaport. Therefore, the Mongolian government has addressed the improvement of transportation infrastructure as one of its central tasks for ensuring sustainable economic growth and presented its plan to invest \$3.345 billion, \$2.581

Table 1

Mongolia Economic Forecasts

	Unit	2015	2016	2017	2018
Real GDP Growth Rate	%	2.3	0.4	2.5	5.7
Total Investment (% of GDP)	%	26.2	29.9	36.6	40.4
Average CPI inflation	%	5.9	1.9	4.3	6.4
Current account balance (% of GDP)	%	-4.8	-10.7	-17.7	-20.3
Current fiscal balance (% of GDP)	%	-1.9	-2.1	-1.8	-1.7

Source: IMF, World Economic Outlook Database (April 2016); EIU, Country Report Mongolia (April 18, 2016).

billion, \$250 million, and \$15 million in rail, road, airport, and port infrastructure respectively by 2021.¹¹ Therefore, the relevant companies in Korea may need to explore the possibility of strategic alliances with domestic or local companies to participate in these areas. And since local firms lack the technical capabilities, Korean construction firms with abundant overseas experience and high-end technology should actively tender for projects. At the moment, most of the construction materials are being imported from China, but it should be noted that as a result of rising income levels in Mongolia, the demand for advanced quality products is gradually increasing. Korea should therefore give positive consideration to advancing into its related sectors such as construction materials, interiors, and facilities.

Third, the agriculture and livestock sector has great potential, and in particular, the prospect of organic farming, food production, and meat processing plants seems very bright. Not only had the Mongolian government developed a plan to become completely self-sufficient in grain, potatoes, and vegetables in order to avert chronic food shortages, but also planned to export them as well. The government is also expanding livestock farms to raise the efficiency of production. In the midst of growing interest in food security and healthy foods in major Northeast Asian countries including Korea, Mongolia is the place where clean agricultural and livestock products, namely organic grocery and processed meat products can be produced. Therefore, if Korean firms decide to enter the agriculture and livestock sector, they can produce organic products and export them to high-income earners in China (Inner Mongolia, three northeast provinces), and Russia (the Far East, Siberia) as well as Korea. Also, Korea's food processing technology is considered superior to that of China and Russia, therefore the establishment of a production factory for high-quality meat processed foods such as ham and sausage should be explored.

Fourth, tourism is also regarded as a promising area of cooperation—Mongolia and Korea can develop high value-added tourism products. Lately, the number of tourists visiting Mongolia, especially Korean tourists who yearn for Mongolia's grasslands, has risen steadily which proves that tourism in Mongolia is a valuable industry.¹² But the country has not been able to harness its abundant resources into high value-added tourist products. Therefore, with joint efforts from the two countries, Korea and Mongolia can develop marketable tourist products with a fine mix of natural resources, and cultural/historical elements. In addition, Korea can find a way to participate in tourism development projects through promoting cooperation in the management of tourism operations such as vocational tourism training and hotel management. One of the essential tasks in developing tourism in Mongolia is the reduction of airfare, which is too expensive compared to similar distances overseas. Due to the geographical characteristics of Mongolia as a landlocked country, aircraft is the only

transportation mode that connects the two countries directly. It is generally judged that multiple air routes between Ulaanbaatar and Seoul are necessary as those between Vladivostok and Seoul (Inchon) because the number of mutual visitors between Korea and Mongolia has been increasing. This is the field in which the two governments must cooperate more actively and work hard.¹³

Fifth, it is expected that importing Korean financial services will be a promising cooperation field. If Korean companies acquire the shares of Mongolian financial companies and provide Korean services to Mongolia, it would be very effective in a short period of time.

Finally, Korea needs to expand the investment area into more promising regions beyond the capital Ulaanbaatar, and to devise a way to diversify the investment. Recently, in Mongolia, as local governments are campaigning for investment promotion activities, Korean companies will be able to make investments in mineral resource development, infrastructure, agriculture, manufacturing, and construction fields in the provinces. China and Russia are moving quickly by signing memorandums on investment cooperation with local governments in Mongolia.¹⁴

Future Agenda for Promoting Economic Cooperation between Korea and Mongolia

Since the establishment of diplomatic relations in 1990, Korea and Mongolia have broadened cooperation in various areas such as politics, economy, society, and culture for the past 26 years. Nonetheless, the potential for cooperation between the two, particularly in the economic arena, has not yet been fully realized. While the political and economic weight of Eurasia including Mongolia is increasing, a new cooperation relationship between Korea and Mongolia, quite different from the present one, is necessary. To achieve the goal, the two countries should enlarge their strategic cooperation with each other, establish more organized strategies, and implement them consistently.

First, strengthening a high-ranking official network and holding regular summit meetings is necessary. By holding summit meetings every other year and creating a systematic timeframe, major problems can be discussed and cooperation objectives can be set and carried forward. In addition, because the Mongolian Parliament is a key decision maker in regard to domestic affairs, Korea should take advantage of the ROK-Mongolia Parliamentary Friendship Association as a channel for enlarging the cooperation of both countries through strengthening the channel in the National Assembly level.

Second, in consideration of the strategic and potential value of Mongolia, the conclusion of a FTA between Korea and Mongolia should be pushed positively to fuel implementation of the Eurasia Initiative.¹⁵ In the case of Japan, it concluded

an Economic Partnership Agreement (EPA), a kind of FTA, with Mongolia in February 2015 and the EPA took effect in June 2016. Even if short-term outcomes and economic benefits resulting from FTA conclusion are insignificant from the viewpoint of the present economic scale of Mongolia and the small scale of trade between both countries,¹⁶ the FTA between Korea and Mongolia should be carried ahead positively from the point of view of the strategy such as long-term resource diplomacy support, political advantage, and security benefits. It is encouraging that the leaders of both Korea and Mongolia arranged on July 17, 2016 to start a joint study on an EPA at the earliest possible time.¹⁷

Third, it is believed that a visa exemption agreement, which enables people to move freely among both countries, must be signed within the earliest possible time in order to expand economic cooperation between Korea and Mongolia. Mongolians can stay for a short period of time without a visa if they visit Japan or China. It is considered desirable for Mongolia to sign a visa exemption agreement with Korea as soon as possible because Korea is Mongolia's fourth largest trading partner after China and Russia.

Fourth, the Korea-Mongolia business forum, a Track 1.5 diplomatic forum in which the public and private sectors from both countries participate, needs to be held regularly. By doing so, the Korea-Mongolia intergovernmental commission can readily identify projects where the two countries' interests align. It can also contribute to facilitating economic cooperation by acquiring business information, grasping demand, strengthening networks, and activating the discussion about business models.

Finally, it is important to promote interest among the peoples of the two countries and develop bases for revitalizing research on issues related to Korea and Mongolia. For example, we can organize a "Korea-Mongolia Cooperation Forum" or a "Mongolia-Korea Cooperation Forum" involving business, academia, and government. In addition, we may expand networks and acquire information by establishing a "Korea-Mongolia Research Center" in Mongolia.¹⁸ Those measures should contribute to enhancing Korea's status and image in Mongolia.

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¹ Lee Jae-Young, Lee See-young, Ganbataar, *Cooperation Ways between Korea and Mongolia in the New-Asia Era*. Korea Institute for International Economic Policy (2010): p. 3.

² For more details on the Eurasia Initiative, please refer to Lee Jae-Young, "A Study on Eurasia Initiative and Cooperation Strategy," *Slav Newspaper*, Vol. 30, No.2 (2015): pp. 287-316.

³ Lee Jae-Young, Jeh Sung Hoon, Kim Hong-Jin, Gantumur Munkhnasan, *Mongolia's Investment Environment and Measures to Expand the Market Entry of Korean Businesses*. Korea Institute for International Economic Policy (2012): p. 173.

⁴ The author had written based on Overseas Investment Statistics by the Export-Import Bank of Korea (accessed on June 29, 2015).

⁵ The author had written based on Overseas Investment Statistics by the Export-Import Bank of Korea. (accessed on June 29, 2015).

⁶ Lee Jae-Young, Lee Pyungrae, Youn Ik Joong, Lee See-young, S. Avirmed, *Development Situation of Mineral Resources in Mongolia and Investment Expanding Ways of Korea*. Korea Institute for International Economic Policy (2011): pp. 82-142.

⁷ For more details, please refer to Lee Pyungrae, "Mongolia Economy and Politics after the Appointment of Prime Minister Ch.Saikhanbileg," Korea Institute for International Economic Policy Korea's Official Pool of International Economists (March 12, 2015).

⁸ Lee Jae-Young, Lee See-young, Ganbataar (2010): pp. 144-145.

⁹ Lee Jae-Young, Jeh Sung Hoon, Kim Hong-Jin, Gantumur Munkhnasan, *Mongolia's Investment Environment and Measures to Expand the Market Entry of Korean Businesses*. Korea Institute for International Economic Policy (2012): p. 203.

¹⁰ For more details on Mongolia's National Development Strategy until the year 2021, please refer to Millennium Development Goals-Based Comprehensive National Development Strategy of Mongolia (Draft), (Ulaanbaatar 2007).

¹¹ For more details on infrastructure development projects of Mongolia, please refer to the Embassy of the Republic of Korea in Mongolia, *Mining and Infrastructure of Mongolia* (2012): pp.19-33.

¹² According to Batbold Z., Executive Director of Asia Pacific Institute of Mongolia, in recent years, about 47,000 Korean tourists visit Mongolia annually. Interview with Batbold Z. Executive Director of Asia Pacific Institute of Mongolia, June 23, 2015, Ulaanbaatar.

¹³ Lee Jae-Young, Jeh Sung Hoon, Kim Hong-Jin, Gantumur Munkhnasan (2012): pp. 223-224.

¹⁴ Kim Bora, "Korean FDI Diversification and Win-win Economic Cooperation between Korea and Mongolia," *Mongolian Studies*, Vol. 40 (2015): p. 146.

¹⁵ Jeh Sung Hoon, Lee Jae-Young, Kang Boogyun, Yun Chihyun, "25 Years of Korea-Mongolia Diplomatic Relations: the Achievements and Future Challenges in Korea-Mongolia Economic Cooperation." *KIEP World Economy Update*, Korea Institute for International Economic Policy (2015): p. 19.

¹⁶ Tariff reduction or elimination will lead to increase in Korea's top export commodities such as automobiles, trucks, and heavy machinery and increase in Korea's import commodities such as metal and nonmetal.

¹⁷ Financial News (July 17, 2016).

¹⁸ Lee Jae-Young, Lee See-young, Ganbataar (2010): p. 182.