

SWOT Comparative Study on the Cashmere Supply Chain between China and Mongolia under the Background of Digital Economy

Yu Zheng^{1,2}, Baasansukh Badarch^{1*}, Batjargal Erdenebaatar³

¹Mongolian University of Life Sciences, Ulaanbaatar, 17024, Mongolia

²Baotou Teachers' College, Baotou, Inner Mongolia, 014030, China

³Atlas Consultancy LLC, Ulaanbaatar, 15140, Mongolia

ABSTRACT

Developing the digital economy is a strategic choice to seize the new opportunities presented by the new round of technological revolution and industrial transformation. Against the backdrop of the digital economy and based on the SWOT method, the situation of the cashmere supply chain in China and Mongolia was compared. The advantages of China's cashmere supply chain lie in its mature industrial chain and the system efficiency empowered by digital technology, while the disadvantages are the rising costs and the imbalance in internal digitalization. The cashmere supply chain in Mongolia, with its high-quality raw materials and industrial upgrading policies highlighting its late-mover potential, is constrained by weak infrastructure and external reliance.

KEYWORDS

Digital economy; Cashmere; Supply chain; SWOT

1 Introduction

Under the background of the digital economy, the global cashmere industry landscape is undergoing profound changes. As core producers of cashmere, the evolution path of the supply chain between China and Mongolia has drawn much attention. China has established a complete industrial chain integrating breeding, processing and sales, and is actively promoting digital transformation. Mongolia is seeking to transform from raw material exports to high value-added manufacturing by relying on the "White Gold" national program. Against this backdrop, systematically comparing the internal structure and dynamic capabilities of the supply chains of the two countries is of great value for understanding regional industrial synergy and development directions. This article, through the SWOT analysis method ^[1], dissects the strengths, weaknesses, opportunities and threats of the cashmere supply chain between China and Mongolia in the context of the digital economy, with the aim of providing references for the formulation of relevant industrial policies and enterprise strategies.

2 An overview of China's cashmere supply chain in the context of the digital economy

2.1 Main situation of China's cashmere supply chain

The Chinese cashmere supply chain holds a pivotal position in the global market. As the world's largest producer of cashmere, China's cashmere output accounts for more than half of the global total, and its trade volume makes up 70% of the world's total. Cashmere products have become an important export livestock product for earning foreign exchange. In 2024, the number of cashmere goats raised in Inner Mongolia will reach 15.81 million, and the cashmere output will reach 6,944.6 tons, with cashmere products accounting for 60% of the national market. The export earnings of cashmere and its products in the entire district reached 280 million US dollars, and the sales revenue of key processing enterprises was 4.625 billion yuan. From raw material collection in grassland pastoral areas to processing and production in modern factories, and then to a global sales network, China's cashmere industry has formed a complete industrial chain. Under the wave of the digital economy, China's cashmere supply chain is undergoing profound changes. In July 2025, the 2025 China Cashmere Industry High-Quality Development Conference explicitly stated ^[2] that China's wool textile industry is currently in a critical period of transformation and upgrading as well as re-creation of advantages, and high-quality development is the inevitable path. It needs to align with the direction of "technology, fashion, greenness and health" as well as the market's requirements for "price, quality, sustainability and traceability".

* **Corresponding Author:** Baasansukh Badarch, baasansukh.b@mul.s.edu.mn

2.2 Characteristics of China's cashmere supply chain

The most notable feature of China's cashmere supply chain is its scale effect and full-chain integration capability. China is not only the world's largest producer of cashmere, but also has a complete industrial system ranging from breeding, processing to brand sales. Cashmere enterprises can control every link from raw materials to finished products, ensuring product quality and supply stability. At present, many companies have established a full-chain control supply chain system covering "grassland maintenance, modern pasture construction", etc., which not only reduces supply chain risks but also increases the added value of products and brand influence. Under the influence of the digital economy, China's cashmere supply chain is characterized by both technology-driven and green transformation. On the one hand, leading enterprises in the industry are increasing their investment in intelligent manufacturing and enhancing the response speed and customization capabilities of their supply chains through digital transformation^[3]. On the other hand, the concept of sustainable development has been deeply integrated into every link of the supply chain, and eco-friendly technologies have become the breakthrough direction of the industry, reshaping the competitive landscape of China's cashmere supply chain.

3 An overview of mongolia's cashmere supply chain in the context of the digital economy

3.1 Main situation of the cashmere supply chain in mongolia

The cashmere supply chain in Mongolia is built on a unique resource endowment and policy support. As a significant global supplier of cashmere raw materials, Mongolia accounts for approximately 40% of the world's total cashmere output. However, the cashmere industry has long been dominated by raw material exports, with relatively weak processing links. To change this situation, Mongolia launched the "White Gold" National Initiative (also known as the "White Gold" national program) in 2024. Under this framework, it plans to establish relevant industrial and technological parks and provide loan financing to enterprises to enhance the processing capacity of livestock raw materials, raising the processing level of cashmere to 20%-40% and that of wool to 25%-55%. The level of deep processing of leather has been raised to 30%-50%. The structure of Mongolia's cashmere supply chain is relatively simple, mainly consisting of herders - middlemen - export enterprises as the main line. Against the backdrop of the digital economy, the digital transformation of Mongolia's cashmere supply chain is in its infancy. Compared with China, the digitalization level of Mongolia's supply chain is relatively low, mainly focusing on the facilitation improvement of the trade link.

3.2 Characteristics of the cashmere supply chain in mongolia

The most prominent feature of Mongolia's cashmere supply chain is its significant position in the global raw material market and its orientation towards primary processing. Mongolia is one of the world's largest producers of cashmere raw materials, but its industrial chain is relatively short, mainly focusing on raw material exports and primary processing. It plays the role of a basic supplier in the global cashmere supply chain rather than a final product manufacturer. It is worth noting that Mongolia is making efforts to change this situation. Through the "White Gold" national program, it has clearly set the goal of enhancing processing capacity. Meanwhile, taking advantage of its relatively low breeding costs, it is attracting European capital to build a "raw material - processing - brand" full industrial chain, gradually transforming from a raw material supply base to a high-value-added processing center. The second feature of Mongolia's cashmere supply chain is its reliance on foreign aid. The upgrading and development of Mongolia's cashmere industry is highly dependent on national policy guidance and international cooperation support. For instance, it relies on the "White Gold" national program to provide clear financial support. However, Mongolia's domestic industrial foundation is weak and there is a shortage of technical talents, so it needs to rely on external forces to achieve industrial upgrading.

4 SWOT comparison of the cashmere supply chain between China and mongolia under the background of digital economy

4.1 Advantage comparison

The advantages of China's cashmere supply chain have shifted from merely being large in scale to systematic efficiency formed under the catalysis of the digital economy. After decades of development, China not only controls more than half of the world's cashmere raw material resources, but also has built a complete ecosystem from breeding, farming, carding, spinning, weaving to brand marketing. Under the connection of digital economy tools, its internal division of labor has become more refined, and the efficiency of information transmission has been significantly improved. For instance, large-scale processing enterprises can monitor the raw material flow from the pastoral areas of Inner Mongolia to coastal

factories in real time through supply chain management platforms, precisely arrange production plans, thereby reducing external uncertainties and enabling China's supply chain to demonstrate strong resilience in the face of global market fluctuations. On a deeper level, digital technology is deeply integrating with the traditional cashmere manufacturing industry^[4]. A number of leading enterprises are no longer content with being contract manufacturers but are using consumer big data to analyze global fashion trends, which in turn guide product design and research and development, gradually climbing up the value chain.

The advantage of Mongolia's cashmere supply chain lies in its inherent resource endowment and the policy determination for latecomer transformation. The ecological environment of the Mongolian grassland is excellent. Adhering to the traditional nomadic way, its cashmere has been widely recognized by the international high-end market in terms of fineness, length and luster, endowing "Mongolian cashmere" with a unique brand value of its place of origin. Compared with China, this natural advantage is difficult for large-scale breeding to fully replicate. In the context of the digital economy, the value of origin is being strengthened and monetized through traceability technologies such as blockchain. In particular, the "White Gold" national program led by the Mongolian government has gradually become a powerful catalyst, indicating that the advantages of Mongolia's supply chain are shifting from static resource possession to dynamic potential for industrial upgrading. Some international markets are likely to place greater emphasis on the potential of the combination of "high-quality raw materials + policy support", helping them skip certain traditional industrialization stages and directly build new processing systems that meet sustainable standards.

4.2 Disadvantage comparison

The disadvantages and advantages of China's cashmere supply chain are two sides of the same coin, mainly reflected in the rigid increase in costs and the internal pressure brought about by sustainable development. After years of rapid development, China's demographic dividend is fading, and its price advantage in low value-added products is gradually weakening. Meanwhile, a large number of small and medium-sized processing enterprises update their technical equipment slowly. The funds and technical barriers required for digital transformation make them hesitate, resulting in a "digital divide" within the industrial chain. Some leading enterprises have achieved intelligent production, while more small and medium-sized enterprises are still stuck in labor-intensive models, which has affected the overall collaborative efficiency of the supply chain.

The disadvantage of Mongolia's cashmere supply chain lies in its weak industrial foundation and external dependence. The most prominent problem lies in the fact that despite having top-quality raw materials, Mongolia's deep processing capacity is seriously insufficient^[5]. The country lacks complete intermediate links such as spinning, dyeing, and design, resulting in the majority of high value-added profits being lost abroad. Its supply chain structure is simple and fragile, highly susceptible to fluctuations in international raw material prices. The technical support required for digital transformation is almost non-existent. Its industrial upgrading is highly dependent on foreign capital and technology, and its independent development capacity is relatively weak. In the wave of the digital economy, the absence of such an underlying supporting system makes it difficult for it to build an endogenous digital ecosystem like China does, and it is more likely to be in a passive position in global cooperation.

4.3 Opportunity comparison

For China's cashmere supply chain, the greatest opportunity of the digital economy lies in leading the formulation of global industry standards. China's huge domestic market provides an excellent testing ground for brand cultivation. With the upgrading of consumption, domestic consumers in China have put forward higher requirements for the quality, design and cultural connotation of cashmere products, forcing enterprises to shift from production-oriented to brand and innovation-oriented. Digital platforms such as live-streaming e-commerce and social marketing enable domestic brands to communicate more directly with consumers, quickly build brand recognition, and thus challenge the monopolistic position of international high-end brands. On the other hand, China's mature supply chain system enables it to become an "enabler" or "organizer" of the global cashmere industry. Chinese enterprises can export their digital solutions and build a global cashmere industry Internet with China as the core node, thereby controlling the industry's discourse power.

For Mongolia, the opportunities brought by the digital economy lie in achieving leapfrog development and reshaping its position in the global value chain. The opportunity lies in leveraging digital technology to enhance its unique selling points and achieve a "overtaking on the curve". The most realistic path for Mongolia is to deeply cultivate the "sustainable" and "traceable" cashmere supply chain market. By leveraging its natural grazing methods and relatively clean environment, and with the help of technologies such as blockchain, it can establish an unalterable "green passport" for each gram of cashmere, converting its origin advantage into a credible premium capacity.

4.4 Threat comparison

The threats faced by China's cashmere supply chain mainly come from the pressure of the external environment and the tension of the internal structure. At the international level, the rise of trade protectionism is the greatest uncertainty. Some importing countries may set up new types of trade barriers, directly impacting China's export-oriented industries. At the domestic level, the intensification of internal competition during the process of industrial upgrading is another major threat. Large enterprises achieving a "dimensional reduction strike" through digitalization will accelerate the elimination of small and medium-sized enterprises, which may lead to the disruption of local industrial chains. Meanwhile, the reliance on raw material production areas may also expose China to a game over raw material pricing power. In the long run, this may affect the stability of China's raw material imports.

The greatest threat to Mongolia's cashmere supply chain lies in the volatility of the global market and the risks of internal policy implementation. Mongolia's economic structure is single. The income from cashmere exports is crucial to the national finance, making its supply chain extremely fragile. For instance, an international financial crisis or a shrinking consumer market can directly lead to a sharp drop in raw material prices, seriously affecting the income of herdsman and the investment capacity of the industry. Furthermore, in the context of the digital economy, Mongolia is also at risk of "data colonization". If its cashmere supply chain is completely dominated by foreign companies, key resources may be controlled externally, causing it to fall into a new dependent relationship in the future data-driven economy and lose the initiative in development.

5 Conclusion

The digital economy can reshape the competitive landscape of industrial supply chains. In the cashmere supply chain, China's advantages in the entire industrial chain and its deep digital integration capabilities can enable it to occupy an organizer position in the global value chain. Mongolia can explore a differentiated breakthrough path by virtue of its original value and determination to transform. In the future, the supply chain relationship of cashmere between China and Mongolia may go beyond simple raw material supply and product processing, and shift towards more complex competition and cooperation. To this end, China and Mongolia should deepen cooperation in areas such as digital innovation and capacity collaboration to promote the sustainable and inclusive development of the global cashmere industry.

About the Author

1. Yu Zheng, 1990.01, Male, Han, Baotou, China, Doctoral student at Mongolian University of Life Sciences, Teacher of Baotou Teachers' College, His research focus on agricultural economy.
2. Baasansukh Badarch, Male, President (Administration) of Mongolian University of Life Sciences, Ulaanbaatar, Mongolia, Ph.D, Professor, his research focus on Supply Chain Management.
3. Batjargal Erdenebaatar, Male, Atlas Consultancy LLC, Ulaanbaatar, Mongolia, Ph.D, Professor, his research focus on Animal Science.

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