COMMENTS ON KOTARO ISHI
“HOW SHOULD LOW INCOME RESOURCE-RICH COUNTRIES IN ASIA RESPOND TO RECENT COMMODITY PRICE BOOMS?”

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Yuko Hashimoto
Toyo University

“Policy Options and Challenges for Developing Asia—Perspectives from the IMF and Asia”
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General Comments

• A very nice paper
  – Good summary of Asian resource-rich countries
  – Covers recent behavior of commodity prices, macroeconomics (GDP, Inflation, REER, TB, Fiscal, etc.)

• The paper is about the use of windfall gains from commodity price booms
  – Spend or save?
  – Fiscal policy

• Paper leaves you wanting more
Summary

• Impact of Resource revenue on Macroeconomics
  – Improvement in the terms of trade (contrast to other no-resource Asian countries)
  – No significant upward pressure on nominal exchange rates or inflation
  – GDP growth, Invite FDI

• Fiscal situation
  – Resource revenue spending is less than 100%
  – But some countries begin expanding fiscal expenditure
Summary (cont’d)

• Need to balance primary balance, very well-designed institutions for revenue management, strong and prudent political commitment to get rid of the resource curse.
Comment 1

• Debt sustainability
  – Expanding fiscal expenditures (fig 4.11) \(\Leftrightarrow\) decreasing in external debt (fig 4.14)
  – Shift from external debt to domestic debt?
  – Resource revenue triggers the shift?
  – If so, which (external vs domestic) is more favorable?

• Foreign reserves
  – Build-up of reserves vs improvement of fiscal positions
  – Extreme case: large reserves with fiscal deficit vs Small reserves with fiscal surplus---(prevention of crisis, quasi-fiscal cost)
  – Reserve management fund
  – Differentiate large fiscal deficit (primary deficit) countries and low countries
Comment 2

• Exchange rate regimes
• Impact on capital/financial market
• Capital liberalization
• Downside risk
  – Commodity price fall, external shocks