



**POLICY OPTIONS AND CHALLENGES
FOR DEVELOPING ASIA—
PERSPECTIVES FROM THE IMF AND ASIA
APRIL 19-20, 2007
TOKYO**



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

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Comments on

Kotaro Ishi

“How Should Low Income Resource-Rich
Countries in Asia Respond to
Recent Commodity Price Booms?”

Yuko Hashimoto

Toyo University

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

By IMF-JBIC

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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 (fig4.11) \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