

Does the US Dollar have a future in Timor-Leste? *(Osan Dolar USA iha futuru ba nasaun TL ka lae?)*

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Nusa maka osan dolar sai nudar ita nia moeda?

No iha futuru sei muda ka lae?

*Why is the main currency the US Dollar?
Should it change in future?*

Historia ?

- **“Dolarisasaun: Halo adoptasaun ba moeda amerikano** (“Dollarization: adopting the US currency.)
- **Lapersija politika de cambio rasik** (No need for exchange rate policy)

Benefisiu ba ita ninian moeda rasik ka? (Benefits of our own currency?)

- **Bele halo kontrola konaba politika de cambio-para presu moeda nian bele relevante ho seluk.** (Allows some control over the exchange rate - the price of the currency relative to others.)
- **Cambiu afeta ba presu sasan ho servisu, liuliu husi presu importasaun ho exportasaun sasan.** (Exchange rate affects the price of goods and services, mostly via prices of goods imported and exported)

How does exchange rate affect everyday lives? Oinsa maka kostu combiu afeita ba vida moris loron-loron?

Koko atu imajina lalaok tuir mai ne'e: (*Imagine a Scenario*)

- Timor hetan ninia moeda rasik (Timor gets its own currency)
- regra cambiu mos introdus (Exchange rate policy is introduced)
- Moeda sei monu iha valor “ Devaluasaun” ou “depresia” nia valor. (Currency will almost certainly decrease in value - “devalue” or “depreciate in value”.)

Impaktu saida husi depresiasaun valor osan ne'e? (What impact will this depreciation have?)

Impaktu husi depresiasaun osan.

(Impact of a Depreciation):

The Negatives:

- **Impaktu prinsipal : Folin sasan, servisu, no trabalhadores husi liur/importadu.** (The main impact: Price of imported goods and services and labour)
- **Sasan Hotu sei aumenta karun- importaun fos, supremi no minarai.** (They will get more expensive - imported rice, noodles, fuel etc.)
- **Ida ne'e sei afeita liu ba ema nebe mak ho rendimentu kiik.** (This will affect people on lower incomes more).

Impaktu husi depresiasaun osan (Impact of a Depreciation)

Impaktu positivu:

1. Substituisaun ba sasan husi liur (Import Substitution)

- **Sasan husi liur folin sei sae, Oportunidade ba produktu lokal atu kompete, exemplu Masin**
- **Masin Timor bele produse depois faan iha loja no kios nebe iha dili.** (Timor-Leste salt can be processed and then sold in shops and kiosks around the country.)
- **Maibe kompania husi rai liur bele importa masin ba loja sira hanesan ho folin baratu liu.** (But foreign companies can get imported salt to those same shops at a cheaper price).
- **Kuando folin moeda tun, fo vantagen ba produktu lokal.** (When the currency devalues, this favours local production)
- **Ne'e sei ajuda atu kria aktividade ekonomia, vaga servisu sei amenta, ita sei depende liu ba ita nia an.** (That will help create more economic activity, more employment, more self-reliance.)

Impaktu husi depresiasaun osan...Positivu (Impact of a Depreciation)

2. **Valor moeda nebe tun, bele ajuda Timor leste hodi kompete ho exportasaun iha merkadu rai liur eg. Kafe timor.** A devalued currency helps Timorese exports to compete in foreign markets. e.g. Coffee.

- **Kafe timor nia folin karu liu iha merkadu internasional kompara ho café seluk** (Timor coffee is comparatively expensive on international markets.)
- **Ne duni susar tebes atu kompete ho café ho kualidade hanesan husi nasaun seluk** (It is hard to compete with similar quality coffee from other countries.)

Exportasaun Aumenta (Growing Exports)

- **Ho depresiasaun osan, kafe timor bele baratu liu iha mundu internasionais, no fasil atu faan, ida ne'e bele hasai "permintaan" ba café timor** (With depreciation, the coffee will be cheaper internationally, and easier to sell. This will increase demand for Timor coffee.)
- **Se ita suporta agrikultura sira atu hasae kualidade no resultado produitu (hanesan kuada ai oan, no hase'e kualidae), numeru exportasaun café ho kualidade bele sae.** (If we support farmers to increase quality and yield (plant trees, develop quality etc), supply of export quality coffee can increase, and exports can grow substantially!)

Maneja tranjisaun (Managing Transition)

- **Devaluasaun husi moeda iha positivu no negativu** (A devaluation of currency has winners and losers.)
- **Presu sasan no servisu nebe sae sei afeta sidadaun nebe vulneravel.** Increased prices of imported essential goods will affect the more vulnerable citizens.
- **Precisa iha protesaun ba efeitu negativu selae numeru kiak no mukit bele aumenta no inekualidade mos sei sa'e.** (People need to be protected from these harmful effects, or poverty will increase, and inequality will grow).

Hasa'e kapasidade produtiva Increasing Productive Capacity

- **Moeda rasik → Depresiasaun → kompetitividade Internasional.** Our own Currency -> Depreciation -> International Competitiveness
- **Benefisiu hotu depende ba kapasidade atu aproveita oportunidade nebe mosu. Substituisaun ba Import no Hasa's exportasaun.** ALL the Benefits depend on the capacity to take up new economic opportunities - **Import Substitution and Growing Exports**
- **Oinsa maka ita hasa'e kapasidade ida ne'e ? .** How do we build that capacity?

Produtividade ... Produtividade ... Produtividade

Chave ba produtividade mak aprende. The key to Productivity is Learning

1. **Kakutak nebe aprende: “ Hanusa mak ita bele halo sasan diak liu tan?. A**
Learning mindset: “How can we do things better?”
2. **Aprende formal : Edukasaun & Treinu : qualidade...qualidade....qualidade.**
Formal Learning: Education & Training *qualidade ... qualidade ... qualidade*
3. **Aprende informal : Esperensia liu husi servisu, liga/sente ambiente servisu modernu.** Informal Learning: Work experience, exposure to modern work environment
4. **Desenvolve gestor i lidere/Fila liman.** Developing managers and leaders / entrepreneurs

Devaluasaun iha moeda bele kria presan atu dudu progresu iha area sira ne'e

Devaluation of currency can create pressure for more progress in these areas.

Resource Curse - Dutch Disease

Timor-Leste currently has a large non-oil trade imbalance:

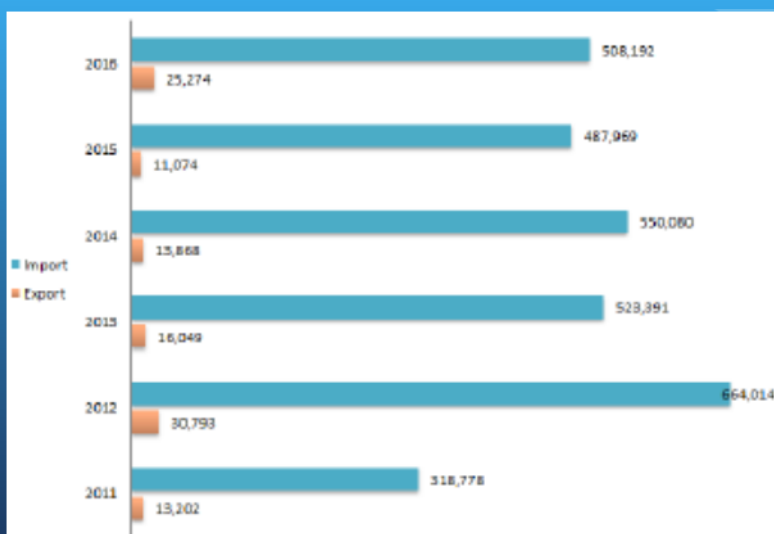
The Trade Deficit is funded by Revenue from Oil & Gas royalties / taxes.

There is thus no currency market pressure to make exports more competitive and imports more expensive (depreciation).

The future (less Oil and Gas revenue) will demand more balanced trade.

This raises the need for an independent currency in future.

Value Imports and Exports by year 2011 - 2016 (\$.000)



What “Exchange Rate policy” is best?

Pegged exchange rate: Central Bank fixes a rate against a main trading partner (e.g. US), and revises this rate periodically.

- Vulnerable to unhelpful policy decisions by Government.

Floating exchange rate: Rate determined by supply and demand for the currency. Central Bank can still influence, by buying & selling currency.

- Can be vulnerable to fluctuations from speculative currency dealings.

No fim saida mak importante ? (The Bottom Line?)

Ne'e laos kestaun “se karik” maibe “bainhira”. (It is not about IF, but WHEN)

- Tinan 2002 laos tempu nebe apropiadu. (The time was not right in 2002.)
- Desenvolve matenek/expertu ne importante. (Developing expertise is vital).

Atu manage moeda rasik precisa : (Managing a currency requires):

- **Iha esperensia ba politika ekonomi makro nian.** (macroeconomic policy experience)
- **Tenke iha matenek/badaen barak iha area merkadu cambio internacional.** (plenty of technical expertise in foreign exchange markets)
- **Kapasidade atu hasa'e kbit aktividade ekonomia atu hatan ba oportunidade foun nebe mak mosu, hanesan subtituisaun ba produto import no hasae exportasaun.** (A capacity to increase economic activity as new opportunities arise - especially in Import Substitution and Growing Exports.)