Reproduced from Capital Mobility in Asia: Causes and Consequences, by Juthathip Jongwanich (Singapore: ISEAS — Yusof Ishak Institute, 2017). This version was obtained electronically direct from the publisher on condition that copyright is not infringed. No part of this publication may be reproduced without the prior permission of ISEAS — Yusof Ishak Institute. E-book is available at http://bookshop.iseas.edu.sg>

Index

Note: Page numbers followed by "n" refer to endnotes.

A administrative controls, 8, 141 Annual Report on Exchange Arrangements and Exchange Restrictions (AREAER), 9, 78, 140, 144, 153 Arellano-Bond test, 128, 129 Asian Bond Online, 81 Asian Development Bank, 81 Asian financial crisis, 186 1997–98, 1, 6, 8 1997–99, 10 1998–2000, 16 capital inflows and, 14–30 changes in nature of capital flows,	Bank of Thailand (BOT), 150 bilateral cross-border M&A data, 72, 80 bilateral non-FDI data, 117n3 bilateral trade agreement (BTA), 57, 62 bond markets, 7 capitalization, 24 on cross-border investment flows, 74 development of, 77, 89, 188, 192 equity and, 11, 70, 74, 79, 85 India, 81 public and corporate bonds, 76 Brexit, 4
21 vs. global financial crisis, 32–37	C
Malaysia, in mid-1997, 148 non-FDI capital inflows, 96–98 unorthodox policy response to, 140 asset-exploiting FDI, 66n3 asset-seeking FDI, 137n2 Augmented Dickey-Fuller test, 166 B Bank for International Settlements (BIS), 81	capital account convertibility, 1 capital account policies, 183, 190–91 effectiveness of, 8–10, 139–40 in Malaysia, 145–49, 166–72 objectives, 141 in Thailand, 149–52, 172–82 capital account policy indexes, 153–55 disaggregation of, 153 for Malaysia, 155–57
Banking and Financial Regulation Act, 146 bank loans, 105 in developing Asia, 18–19 Bank Negara Malaysia (BNM), 146, 147	for Thailand, 157–60 capital account programmes, effectiveness of, 140 capital accounts, abrupt opening of, 1 capital control policy, 8 classification of, 184n3

critics of, 8, 144	Survey (CPIS), 117n2
cross-border capital flows, 141	crisis-driven cheap assets, 187
effectiveness of, 8-9, 142-43	cross-border capital flows, 141
in emerging countries, 141-45	cross-border dispersion, of
capital flows	component production/
data and econometric procedure,	assembly, 11, 42, 48, 133
126–28	cross-border investment, 5, 72, 74
determinants of, 121-22	cross-border mergers and
capital inflows, 186, 187. See also	acquisitions (M&A), 6, 7, 28,
capital outflows	29, 37, 69, 70, 77, 186, 188
developing Asia, composition of,	capital and financial restriction
24, 25	policies role in, 86
emerging Asian countries (1990–97),	destination of, 189
14-20	econometric procedure, 81
emerging Asian countries (2002-7),	implications of financial
20–30	development on, 85
emerging Asian countries (beyond	investments, 71, 72, 87
2009), 37–39	market size, 86
liberalization, 10, 140, 191	share prices, 86
2008, global financial crisis,	currency appreciation, 118, 122, 133,
30–31	137
Capital Investment Committee, 16	
capital liberalization, 16, 139, 141,	D
172	data censoring, issue of, 81
capital-outflow-control indexes, 155	debt securities, 24, 151, 153, 160, 161,
capital outflows, 186	179
during Asian financial crisis, 34	deleveraging process, 4
controls, 10, 140, 160, 168, 173,	"Dutch-Disease effects", 121
178	dynamic panel-data model, for real
determinants of, 6-7	exchange rates, 127–32
in developing Asia, composition	
of, 38	E
of FDI and non-FDI, 28	efficiency-seeking FDI, 46
investment-saving ratios and, 109	emerging Asian countries, capital
liberalization policy, 142, 178, 179,	inflows
182	1990-97, 14-20
policy, 178, 179, 183, 191	2002–7, 20–30
Chiang Mai Initiative	in 2008, global financial crisis,
Multilateralization (CMIM),	30-31
41n8	beyond 2009, 37-39
Chile	Employees Provident Fund (EPF),
capital control policy in, 142-43	148
capital restriction, 140, 151	equity financing, 188
stock market, 143	equity markets, 70
consumer price indices (CPI),	bond and, 11, 70, 74, 79, 85
126–27	on cross-border investment flows,
Coordinated Portfolio Investment	74

exchange rate policy, 4 exchange rates depreciation of, 34 nominal exchange rates (1997–99 and 2007–14), 36 extensive capital inflows, 186	foreign reserves current account balance, net capital flows and, 23 and financial indicators, 34, 35 Free Trade Agreements (FTAs), 55, 62 free trade zenes (FTZs), 146
F	free trade zones (FTZs), 146
FDI. See foreign direct investment (FDI) Federal Territory of Labuan, 147 Financial and Capital Restriction, 81 financial derivative markets, 192-93 financial development alternative measures of, 82, 84 implications on cross-border M&As, 85 stages of, 74-76 financial markets broadening and deepening of, 24 development of, 70, 193 financial openness, scores of, 21, 22 "fire-sale" phenomenon, 20, 28, 187 fixed exchange rate regime, 121 fixed income flows, unremunerated	general method of moments (GMM), 128 regression of, 138n7 global economic recovery, 4–5, 31 global equity prices, fall in, 31 global financial crisis Asian crisis vs., 32–37 capital flows in 2008, 30–31 effects of, 187 global production networks development of, 48 importance of, 49, 50 government policies, trade and investment, 47 government spending (GSPEND), 124, 127 gravity model, for inward FDI bilateral distance, 53
reserve requirement on, 4,	bilateral FDI data, 57–58 empirical model for determinants
floating exchange rate regime, 121 foreign direct investment (FDI), 5. See also outward foreign direct investment (OFDI) in developing Asia, 18–19 inflows in Asian economies, 11 movements of capital inflows, 187 outflows of, 69 on real exchange rates, 120	of, 55–57 initial value of total trade, 53–54 investment climate, 55 labour costs, 54 market-seeking FDI, 52–53 real exchange rates, 54–55 resource-seeking FDI, 54 tariff barriers, 55 trade data, 57 Great Depression, 4
types of, 6	Greenfield investment, 6, 7, 20, 69,
foreign exchange markets, 139	70, 72
foreign firms	Н
domestic production costs of, 20 to invest in developing countries,	Harrod-Balassa-Samuelson
45	hypothesis, 124, 127
invest in labour-intensive activities, 46	Heckman model implementation, 82, 90-91

horizontal FDI, 11, 44, 66n4	K
horizontal M&A, 80	key trading partners, 102
	growth prospects of, 105, 189
I	trade weight of, 127
Indonesia	Kuala Lumpur Stock Exchange
financial openness, 21	(KLSE), 146, 148
long-run real exchange rate	,,,,,
coefficient, 135	L
internal rate of return (IRR),	labour costs, 46, 54, 61, 77
implementation measures, 151	liability side, of balance of payment
International Financial Statistics	ledgers, 13n2
(IFS), 57, 80	liberalization
International Labor Organization	of capital outflows, 142, 178, 179,
(ILO), 81	182
International Monetary Fund (IMF),	of capital inflows, 10, 140, 191
57, 80, 140	of financial institution inflow
Article VIII of, 1, 16	policy, 169
International Organization of	licensed offshore banks, 147
Securities Commissions	
(IOSCO), 152	M
international product fragmentation,	macroeconomic stability, 47, 55
24, 42	Malaysia
in Asia, 48–52	Article VIII status for, 145
implications on inward FDI, 4 7-48	Asian financial crisis in mid-1997, 148
international production networks,	capital account policy in, 145-49
44, 49	capital control indexes for, 155–57
importance of, 44	capital control measures on, 10
of multinational enterprises, 135	capital outflow controls, 140
Investment Coordination Act, 146	error-correction model on, 142
Investment Development Path (IDP)	FDI inflows in, 40n3
model, 45	impulse responses of variables to
investment-saving gap, 110	capital account policies (asset
investment-saving ratios	side), 171–72
and capital outflows, 109	impulse responses of variables
declined in, 6, 12, 98	to capital account policies
inward foreign direct investment	(liability side), 166–71
(IFDI), 42–45, 187–88, 192	Investment Coordination Act, 146
determinants of, 45–48	long-run real exchange rate
estimation results, 58–62, 64–66	coefficient, 136
gravity model for, 52–58	non-FDI capital flows, 145
international product	outward-oriented trade policy, 145
fragmentation implications	promotion of Kuala Lumpur as
on, 47–48	global financial centre, 146
manufacturing trade, parts and	Securities Act, 16, 147
components share in,	selective capital control measures
42–44	implementation, 140
	111711111111111111111111111111111111111

share prices in, 149 short-term disruptive (reversal) inflows, 193 unorthodox policy response to, 140 manufacturing trade, parts and components share in, 42–44, 49, 50 market-based controls, 8, 141 market capitalization, 80–81 market-seeking FDI, 46 Mexican crisis, 139 monetary autonomy effect, 143 multinational enterprises (MNEs), 24, 71 international production networks of, 135	oil prices, decline in, 37 outward foreign direct investment (OFDI), 7, 11, 45, 68–71, 188 bank-based measures, results of, 92–93 data and econometric procedure, 80–82 determinants of, 71–72 empirical model, 72–80 estimation results, 82–88 Heckman model implementation results, 90–91 newly industrialized economies (NIEs), results of, 94 outward-oriented trade policy, 145
N net capital flow (NCF), 124, 127 newly industrialized economies (NIEs), 79, 87, 88, 94 non-FDI capital flows, determinants of, 189 non-foreign direct investment (non-FDI) capital flows, 5 annual data series, 103 Asian financial crisis, 96–98 capital inflows, 103–5, 112–14 capital outflows, 107, 108, 115–16 contribution of, 1–3 decline in, 98 into emerging Asian countries, 103–10 empirical model, 101–3 external and internal factors, 99–101 flows in Asian countries, 11–12 GDP growth, 103 high-frequency portfolio capital flow, 101 investment-saving situation, 107 portfolio inflows, 96	P parts and components trade share, 49, 51–52 People's Republic of China (PRC), restriction of borrowing dollars, 139 Philippines long-run real exchange rate coefficient, 135 manufacturing exports, 49 portfolio equity, 21, 186 contribution of, 24 flows in, 4 portfolio investment, 5, 6, 13n3, 132, 137n1 in developing Asia, 18–19 non-FDI capital flows, 98–99, 105 portfolio share, in Asia, 24, 27 private capital inflows, 186 production networks, on FDI, 47–48 Promotion of Investment Act (1986), 146
portfolio intiows, 96 portfolio investment, 98–99 principle component analysis, 99 Tobit model, 103 non-tradable prices, 121, 122, 138n5	R real exchange rates, 190 appreciation, 118, 121 in Asian countries, 118, 119 capital flows and, 132

data and econometric procedure,	stock market
126–28	of Malaysia, 149
defined as, 121	of Thailand, 151
determinants of, 121-26	stock prices
dynamic panel-data model, 127-32	in developing Asia and G3
external balance, 123	Countries, 24, 26
foreign direct investment impacts	and market capitalization, 24
on, 120	-
government spending, 124	T
"imperfect substitution" model,	terms of trade (TOT), 125, 126
133	Thailand
internal balance, 122-23	achievement of Article VIII of IMF,
for inward FDI, 54-55	149
for Malaysia, 169	capital account liberalization
net capital flow (NCF)	policy, 191
measurement, 124, 127	capital account policy in, 149-52
for outward FDI, 77, 132	capital control indexes for,
role in export sectors, 133-36	157–60
side effects of, 133	capital inflow liberalization, 149
steady-state equilibrium, 123-24	capital inflow restrictions,
terms of trade, 125	149–50
for Thailand, 173, 174	capital inflows controls, 151-52
trade openness, 125	capital outflows relaxation, 152
real interest rates	commercial bank net foreign
for Malaysia, 169	liabilities, 16
for Thailand, 173, 175	"50 million baht" guideline, 150
recursive Cholesky	impulse responses of variables to
orthogonalization, 164	capital account policies (asset
resource-seeking FDI, 54, 77	side), 179–82
	impulse responses of variables
S	to capital account policies
Sargan test, 128	(liability side), 172–79
Securities Act of 1992, 16, 147	long-run real exchange rate
Securities Commission (SC),	coefficient, 136
establishment of, 16, 147	short-term capital influx, 151
short-term capital movements,	Thai baht onshore financial
liberalization of, 4	institutions, 150-51
Sovereign Wealth Funds (SWFs),	unremunerated reserve
40-41n7	requirement, 139
Standard of International Trade	Thomson One Reuter, 72, 80, 81
Classification, Revision 3 (SITC,	Tobit model, 67n7, 103
Rev 3), 48	tradable prices, movement of,
state-owned enterprises, 188	137n5
sterilization policy, 121	trade account, liberalizing, 1
Stock Exchange of Singapore (SES),	traditional FDI, 44
146	turnover ratios, 77, 85

U
United Nations Commodity Statistics
Database (UNCOMTRADE),
57, 81
United States (US)
cross-border M&A data, 87
economy of, 4
unremunerated reserve requirement
(URR), 10, 140

V vector autoregression (VAR) model, 143, 160-61 capital account policy indexes,
162–63
capital flows, 161–62
exchange rate volatility, 163–64
limitation of, 164
manufacturing production index,
164
for net total capital inflows
(liability side), 164–66
real exchange rates, 163
real interest rate differentials, 164
vertical FDI, 11, 44, 48, 61, 187, 192
vertical M&A, 80