

Analysis of International Capital Mobility in ASEAN-5 Countries: Savings-Investment Nexus

(Analisis ke atas Mobiliti Modal Antarabangsa dalam Negara ASEAN-5: Tabungan-Pelaburan Nexus)

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ABSTRACT

This paper analyzes the degree of the international capital mobility via the national savings and investment relationship in ASEAN-5 countries, namely Indonesia, Malaysia, Thailand, the Philippines and Vietnam over the period 1980 to 2013 using panel data method. Besides, this paper also investigates the impact of the international capital mobility for three sub-periods: period prior to 1997 Asian financial crisis (1980-1996), period after the 1997 Asian financial crisis (1997-2007) and period after the 2008 global financial crisis (2008-2013). The findings of this paper indicate that the degree of the international capital mobility is at the moderate level for the period 1980 to 2013. However, the finding of the sub-periods after 1997 Asian financial crisis and 2008 global financial crisis indicating an upsurge degree of the capital mobility in ASEAN-5 countries. This might be due to the adoption of export oriented policy and the capital account liberalization in the 1990s and closer economic cooperation in the East Asia region aftermath both of the global and Asian financial crises. It is crucial for government and policy makers to monitor closely on the trend of international capital mobility to prevent financial risks as well as develop efficient policy and financial regulatory to achieve the policy coordination among the ASEAN members.

Keywords: Capital mobility; Feldstein-Horioka Puzzle; panel data

ABSTRAK

Kajian ini menganalisis tahap mobiliti modal antarabangsa melalui hubungan antara tabungan negara dan pelaburan untuk negara dalam ASEAN-5, iaitu Indonesia, Malaysia, Thailand, Filipina dan Vietnam dalam tempoh 1980 hingga 2013 dengan menggunakan kaedah data panel. Selain itu, kajian ini juga menganalisis impak mobiliti modal antarabangsa untuk tiga sub-tempoh: tempoh sebelum krisis kewangan Asia 1997 (1980-1996), tempoh selepas krisis kewangan Asia (1997-2007) dan tempoh selepas 2008 krisis kewangan global (2008-2013). Secara keseluruhannya, kajian mendapati bahawa tahap mobiliti modal antarabangsa adalah pada tahap sederhana bagi tempoh 1980 hingga 2013. Walau bagaimanapun, mobiliti modal di negara ASEAN-5 menunjukkan tahap peningkatan untuk sub-tempoh selepas 1997 krisis kewangan Asia dan krisis kewangan global 2008. Ini adalah disebabkan oleh dasar berorientasikan eksport dan liberalisasi akaun modal yang berlaku pada 1990-an dan kerjasama dalam bidang ekonomi yang lebih erat di antara negara-negara rantau Asia Tenggara selepas kedua-dua krisis kewangan. Justeru adalah penting kepada kerajaan dan pembuat dasar untuk memantau rapat trend mobiliti pergerakan modal antarabangsa bagi mengelakkan risiko kewangan dan membentuk dasar ekonomi yang cekap serta struktur kewangan yang kukuh untuk mencapai penyelarasan dasar di kalangan negara-negara ASEAN.

Kata kunci: Mobiliti modal; Feldstein-Horioka puzzle; data panel

INTRODUCTION

High degree of the international capital mobility in financial market is becoming noticeable and viewed as an important aspect of economic convergence, particularly for developing countries. Most of the developing countries promote capital mobility across countries as capital mobility enables them to gain advantages in term

of efficiency and competitiveness at the international platform. Besides that, developing countries are able to enhance their specialization in the production of financial services and thus improve their international resources allocation. Ultimately, the free flow of capital may generate more investments which subsequently stimulate the economic growth and improve the welfare of the countries. However, there are some drawbacks due