The Impact of Internal and External Factors on Capital Flows and
Trade Balances in East Asian Economies:
Whether the Financial Crisis Has Changed It?

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Abstract

This thesis attempts to examine the structural economic differences of causes, changes and policy effects, as well as the adjustments and response speed of trade performance and capital flows of East Asian economies before and after the Asian economic crisis. East Asian economies experienced a remarkable record of high and sustained economic growth in the last decades before the 1997 financial crisis. This miraculous economic achievement is mainly attributed to the rapid expansion in trade and capital flows to Asia which are the results of liberalization together with other developing factors in the Asian region. However, the Asian economic miracle is replaced by Asian economic crisis afterwards. The factors affecting trade performance and capital flows with respect to their roles are structural changes. Hence, this thesis objectively provides some detailed descriptive analysis and employs cointegration technique, generalized least squares, variance decomposition method and impulse response function to estimate the differences of the economic relationships in East Asian economies. The investigation results show that there has been a particular structural change in the causes and responses of trade performance and capital flows to some less developed economies after the financial crisis which is absent in some developed economies in Asia.
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