

Financial Globalization in Developing and Emerging Market Countries

By Takeshi Uesaka

〈SUMMARY〉

This paper analyzes the driving forces of financial globalization in 18 developing and emerging market countries based on the stock data of external assets and liabilities. In consideration of the existence of adjustment costs in the stock adjustment process, we specify a dynamic panel data model which is estimated by generalized method of moments (GMM). Capital Liberalization is found not to have any effects on financial globalization itself, but to induce the shift of the stock composition from “other investment” towards “portfolio investment”. Important as the driving forces of financial globalization after the mid 1990’s are goods and services trade, domestic financial development, and domestic macroeconomic instability.

© Japan Society of Monetary Economics 2009