

ABSTRACT

International capital flow is a movement of capital that occurs between citizen country, private company and government that have established cooperation to make investment. The movement of capital is inseparable from the more integrated economy that makes the movement of capital flow is more massive. The movement of capital flows is heavily influenced by some variables including domestic savings and domestic investment. In the classical view states if there is no relationship between saving and domestic investment as well as having a positive relationship to capital flows. In contrast to the findings Fledstein and Horioka who saw that there were a relationship between savings and domestic investment and has a negative relationship to capital flows.

This study investigate to analyze the net capital flows in the ASEAN region 5 in the short and long term. In addition, this study will also analyze whether the net capital flows in the ASEAN region 5 follow the Fledstein-Horioka Puzzle or classical hypothesis, as well as analyze the impact of the 2008 crisis on net capital flows in the ASEAN region 5. In this study using dynamic data panels and using the Random Effect Model (REM).

The results of this study indicate that in the long term as well as in the short term in the case of intra-ASEAN 5 variables of savings and domestic investment gap are negatively related to net capital flows, while the GDP per capita variable is positively related to net capital flows. In the case of inter-ASEAN 5 whether in the long term or short term, the savings and domestic investment gap variables are negatively related to net capital flows. While in the long term variable GDP per capita is positively related to net capital flows, but opposite in the short run that negatively related to net capital flows. In addition, in the long run, exchange rate variables have an influence on net capital flows and positive relationships between exchange rate and net capital flow. It is also seen that the results of this study show that the views of Fledstein and Horioka proved to have an impact on the ASEAN region 5, as well as from the 2008 crisis only in the Intra-ASEAN region 5 just the influence of the crisis occurred

Keywords : *capital flows, Fledstein-Horioka Puzzle, Classical Investment, Saving-Investment gap, dynamic panel data, Random Effect Model.*