

Thailand Capital Flight through Trade with the U.S. During Times of Political and Economic Instability

Abstract

This paper investigates capital flight from Thailand to the U.S. through trade misinvoicing during the period from 1990 to 2005. The evidence indicates that capital flight from Thailand to the U.S., valued over \$16,189 million, had been done through under-invoicing exports to the U.S. rather than over-invoicing imports from the U.S. The major incentive for the movement of capital is investment, followed by political events in Thailand, and the most significant determinants of capital flight are the U.S. T-bill rate, the deposit rate in Thailand, and the degree of overvaluation of the Thai Baht. Interestingly, the 1997 Asian economic crisis did not play a significant role in the capital movement through trade.

Keywords: capital flight, trade misinvoicing, political and economic instability