

Abstract

The objective of this paper is to investigate Dutch Disease hypothesis by analyzing foreign inflows power to appreciate real exchange rate as well as calculate the degree of contraction in the tradable sector among selected South East Asian countries over 1981-2007. Using static and dynamic panel data techniques, the study first estimates real exchange rate appreciation due to surge in foreign inflows and then estimates contraction in the tradable and expansion in the non-tradable sector. On the basis of empirical estimation the study confirms the Dutch Disease hypothesis in the countries of analysis.

JEL Codes: F33 C23 E50

Keywords: Foreign Inflows, Real Exchange Rate, Dynamic Panel Data, Dutch Disease