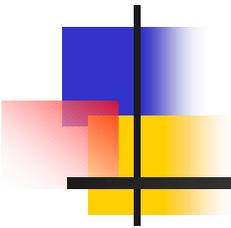
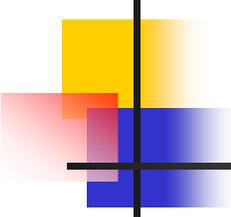


Comments on Karolyi: The Role of ADRs



Hali Edison
IMF

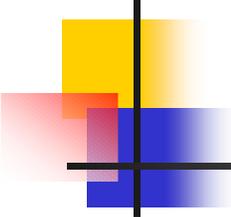


Focus of Paper

- To test the impact of the growth of ADR market on integration. Specifically,
 - Has ADR growth been associated with increases in correlation/integration of U.S. and foreign market?

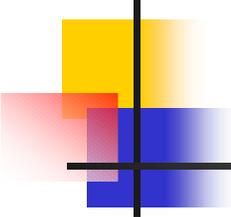
Or

- Has ADR growth been associated with decrease in correlation/integration?



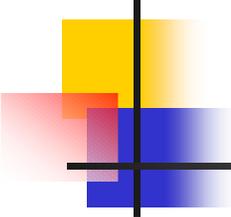
Is International Financial Liberalization a catalyst for economic growth?

- Some weak evidence that the two are positively linked (WEO, 2001)
 - Positive: Bekaert, Harvey, Lundblad(2002),Quinn (1997, 2001)
 - No Link: Rodrik (1997), Levine (2002)
- But we also know that opening up financial market is complex and poses many challenges



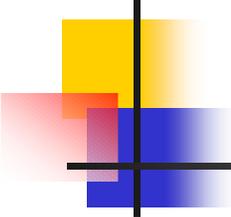
ADR Bias?

- ADRs are important, but what about GDRs and Singapore Depository Receipts? Shouldn't they be part of sample?
- For Latin American countries there are 270 ADRs, while for Emerging Asia there are only 140.
- Is ADR activity is more a Latin trend than a general trend?



Integration Measure?

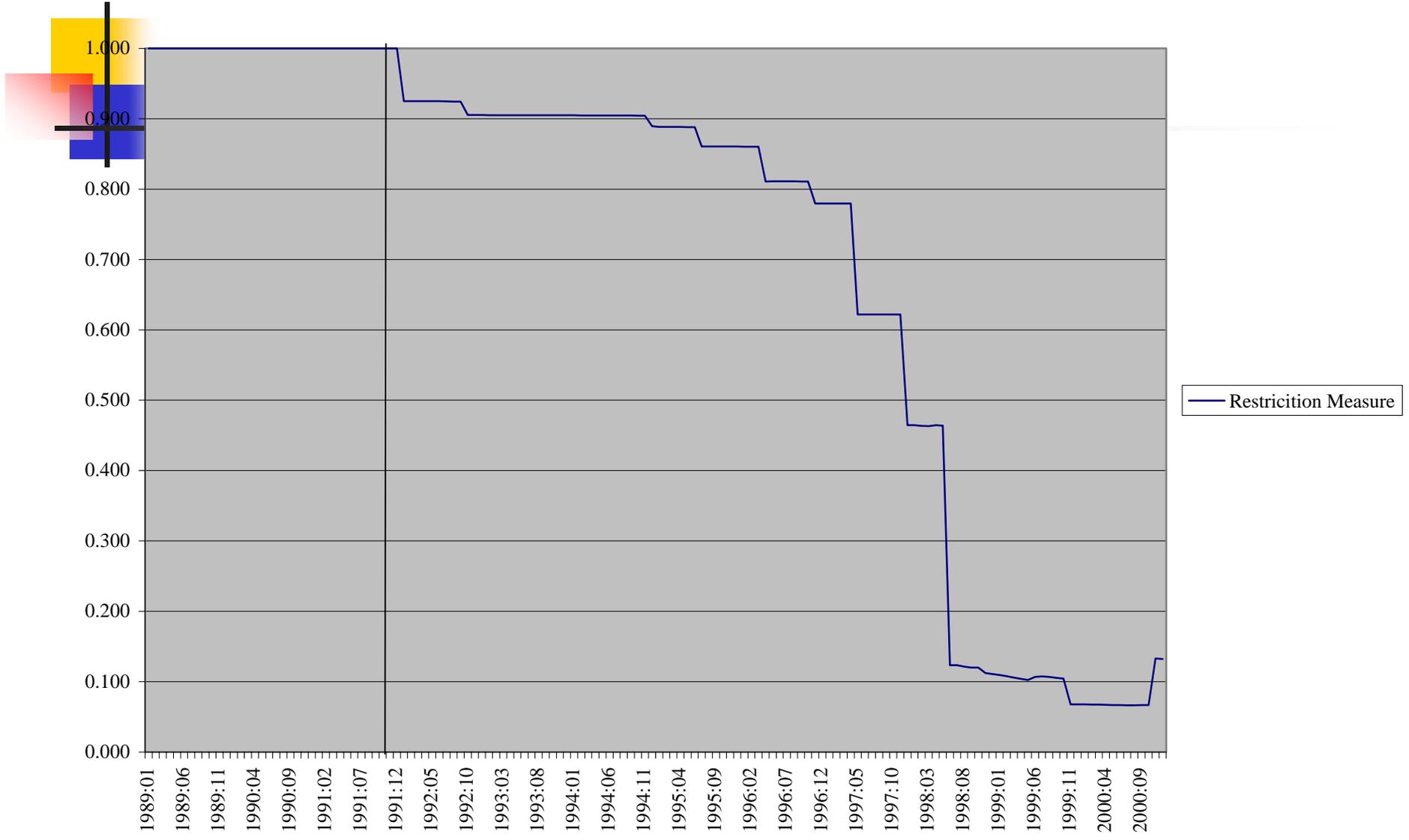
- The interpretation of the integration indexes?
 - Just a price measure?
 - No quantity adjustment -- some adjustment for amount of flows?
 - Couldn't prices be perfectly correlated and markets be completely segmented?

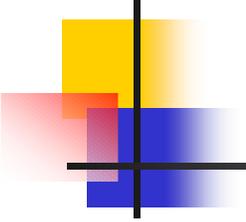


Market Liberalization Dates

- For regression results, market liberalization date comes from Bekaert, Harvey and Lumsdaine break measure. Is it the best measure?
- Often countries liberalize slowly, as in the case in Korea? How sensitive are your results to changes in liberalization dates?

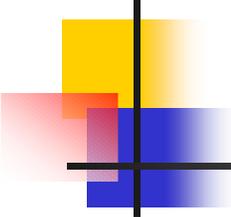
Korean Foreign Ownership Restriction





A Simple Measure of Intensity of Capital Controls (Edison and Warnock, 2001)

- At the country level, the ratio of market caps of IFCI and IFCG indices is a measure of the extent of foreign ownership restriction.
 - For $\alpha = 1 - MC^{IFCI}/MC^{IFCG}$



Paper Linkages?

- How does this paper link to the one by Randy?