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China as a reserve sink: The evidence from offset and sterilization coefficients

“China has been stockpiling international reserves at an extremely rapid pace since the late 1990s and has surpassed Japan to become the largest reserve holder in the world. This paper undertakes an empirical investigation to assess the extent of de facto sterilization and capital mobility using monthly data between mid 2000 and late 2008. We find that China has been able to successfully sterilize a large portion of these reserve increases thus making it a reserve sink such as Germany was under the Bretton Wood system.”

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