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Tiivistelmä-Referat-Abstract The liberalization of capital outflows could cause an increase, rather than decrease, in capital inflows. The aim of this thesis is to explore the paradox. Empirical evidence from four countries, Spain, New Zealand, Italy and Uruguay, is introduced to illustrate the positive influence of capital-outflow liberalizations on capital inflows. Two models are adopted to offer theoretical explanations from different perspectives as well. The first model suggests that the liberalization of capital outflows could be designed to reduce the minimum capital-repatriation period for foreign investment. With this period length reduction, investors get more freedom to invest and withdraw their capitals. Their "option value" of investing after getting certain about the possible policies changes is lowered. Therefore, they will increase the investment from the beginning period. The second model is about the "signaling effect" of capital-outflow liberalizations. It is based on this asymmetric information system. Investors will regard current capital policies as a signal for future possible policies. Today's liberalization on capital outflows predicts a higher probability of favorable investment policies tomorrow. With the "friendly" capital policies, investors are more confident and then increase their investments. The empirical analysis about China's capital outflow liberalization and its influence on capital inflows is carried out. The VAR model is applied for this empirical analysis. The data used for analysis are mainly from International Monetary Fund and Chinese National Bureau of Statistics. The test result shows that the positive influence of the capital liberalization in China can be expected too.			
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