

**DETECTING THE EARLY EVIDENCE OF REAL MONETARY  
CONVERGES FOR ASEAN 5 PLUS THREE AFTER ASIAN  
FINANCIAL CRISIS.**



**UNIVERSITI TEKNOLOGI MARA  
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**BY:**

**MAIZATUL SAADIAH MOHAMAD  
ABDUL RAHIM RIDZUAN**

**DISEMBER 2012**

## **LETTER OF REPORT SUBMISSION**

31 DISEMBER 2012

Prof. Dr. Abu Bakar Abdul Majid  
Penolong Naib Canselor (Penyelidikan)  
Institut Pengurusan Penyelidikan  
Universiti Teknologi MARA  
40450 Shah Alam

Yang Berbahagia Prof.

### **SUBMISSION OF FINAL REPORT**

Attached is the report titled “Detecting The Early Evidence of Real Monetary Converges for ASEAN 5 plus three after Asian Financial crisis.” to fulfill the requirement as needed by UiTM for confirmation purposes.

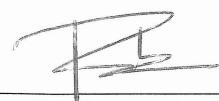
Thank you.

Yours sincerely,



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MAIZATUL SAADIAH BINTI MOHAMAD  
Project Leader  
Faculty of Business Management  
UiTM Melaka



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ABDUL RAHIM BIN RIDZUAN  
Project Member  
Faculty of Business Management  
UiTM Melaka

## PROJECT TEAM MEMBERS

MAIZATUL SAADIAH BINTI MOHAMAD

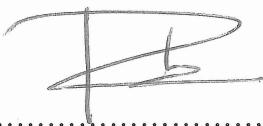
Project Leader



Tandatangan

ABDUL RAHIM BIN RIDZUAN

Project Member



Tandatangan

imi : 600-RMI/SSP/DANA 5/3/Dsp (267 /2011)  
: 8 Jun 2011



atul Saadiah Mohamad  
engurusan Perniagaan  
i Teknologi MARA Cawangan Melaka  
Jalan Lendu  
lor Gajah, Melaka

Y. Brs. Profesor./Tuan/Puan

#### KELULUSAN PERMOHONAN DANA KECEMERLANGAN 06/2011

Tajuk Projek	: Investigating the Real and Monetary Convergence for ASEAN 4+3 Countries
Kod Projek	: 600-RMI/SSP/DANA 5/3/Dsp (267 /2011)
Kategori Projek	: Kategori F (2011)
Tempoh	: 15 Jun 2011 – 14 Jun 2012 (12 bulan)
Jumlah Peruntukan	: RM 5,000.00
Ketua Projek	: Pn Maizatul Saadiah Mohamad

Dengan hormatnya perkara di atas adalah dirujuk.

2. Sukacita dimaklumkan pihak Universiti telah meluluskan cadangan penyelidikan Y Brs Profesor/tuan/puan untuk membiayai projek penyelidikan di bawah Dana Kecemerlangan UiTM.
3. Bagi pihak Universiti kami mengucapkan tahniah kepada Y. Brs. Profesor/tuan/puan kerana kejayaan ini dan seterusnya diharapkan berjaya menyiapkan projek ini dengan cemerlang.
4. Peruntukan kewangan akan disalurkan melalui tiga (3) peringkat berdasarkan kepada laporan kemajuan serta kewangan yang mencapai perbelanjaan lebih kurang 50% dari peruntukan yang diterima.

Peringkat Pertama	20%
Peringkat Kedua	40%
Peringkat Ketiga	40%

5. Untuk tujuan mengemaskini, pihak Y. Brs. Profesor/tuan/puan adalah diminta untuk melengkapkan semua kertas cadangan penyelidikan sekiranya perlu, mengisi borang setuju terima projek penyelidikan dan menyusun perancangan semula bajet yang baru seperti yang diluluskan. Sila lihat lampiran bagi tatacara tambahan untuk pengurusan projek.

Sekian, harap maklum.

**"SELAMAT MENJALANKAN PENYELIDIKAN DENGAN JAYANYA"**

Yang benar

DR OSKAR HASDINOR HASSAN  
Ketua Penyelidikan (Sains Sosial dan Pengurusan)

/RS..

## ABSTRACT

*Abstract*—This paper is aiming to investigate the possibilities of monetary convergence in selected Asian countries. The paper evaluates the level of real (represented by GDP) and monetary (represented by CPI and interest rate) converges for the combination for the ASEAN 5+3 countries namely Malaysia, Singapore, Indonesia, Thailand and Philippines as well as Japan, Korea and China. This paper applied various advance time series econometric techniques such as Unit root tests, Johansen Juselius cointegration test to be followed by Vector Error Correction model (VECM) to capture the long run and short run relationship among the variables. Next we used the VECM temporal causality test in order to capture the temporary deviation and generalized variance decomposition is used to determine the leading variables within the system. The outcome suggests a mixed evidence of cointegration between the GDP, CPI and interest rate for the ASEAN 5+3 economies. The integration process may take longer than expected due to the lack of political commitment, economic stability and unpredictable natural disasters. In order to form the economic cointegration, ASEAN 5+3 has to revamp its current financial systems as well as to formulate reasonable and workable economic integration guidelines by setting a clear, consistent and simplified trade procedure and regulation.

*Keywords-* Real and monetary converge, CPI, Interest rate, ASEAN5+3