

Economic Integration between Asean+5 Countries: Comparison of GDP

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Abstract

This study aims to investigate the causality direction of economic integration among ASEAN countries together with five other neighboring countries, namely Australia, China, Japan, New Zealand and South Korea. The analysis is based on the economic integration of GDP covering the sample period from 1967 to 2007. Empirical results from the [Toda and Yamamoto \(1995\)](#) Granger non-causality tests depicted the existence of bi-directional causality relationships between the GDP of ASEAN and China; GDP of ASEAN and Japan; GDP ASEAN and South Korea, and also GDP of ASEAN and New Zealand. This indicates that there is a great potential for ASEAN countries moving towards higher degree of economic integration via strengthening the relationship with those countries within the region.

Keyword: *Toda and Yamamoto; Economic Integration; ASEAN+5*

JEL classification: *C19; F15; F50*

1. Introduction

The endurance of the economies in this globalization era depends much on the integration level within the economies in a region. In general, economic integration refers as assimilation of different aspects between the countries where plummeting discrimination among the countries serve as essential element. Trade barriers between the countries will diminish correspond to the higher degree of integration ([Balassa, 1961](#)). Despite that, integration indicates unification of two or more countries in a regional trading arrangement and process of plummeting discrimination such as diminishing barriers on international trade, payments and factor mobility ([Carbaugh, 2008](#)).

There is a number of economic integration around the world and mostly in western region. For instance, Central African Common Market of the Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), African Economic Community (AEC) and North American Union. Nevertheless, the most thriving economic integration is the European Union. On the other hand, the only integration that exists in East Asia region is the Association of Southeast Asian Nations (ASEAN) which established in 1967. There are several efforts adopted by the ASEAN countries in moving towards higher level of integration. One of the efforts was the proposal of ASEAN Free Trade Area (AFTA) in 1992 and full implementation in 2002 mainly aiming at tariff reduction within member countries. Besides that, ASEAN countries also participated in the discussion of economic integration which leads to the proposed formation of ASEAN Vision

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