

ABSTRACT

Thesis Title : Dynamics of the Trade Balance and Terms of Trade :
Case of Study ASEAN Group.

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This thesis study the dynamics of the trade balance and terms of trade in the ASEAN group. The terms of trade is one of the most important variables when considering the performance of open economies. The supply side of the economy is given by the standard model with two primary factors : labour and capital. The analysis starts with a general form of production function form which the growth rate of output is expressed as a configuration of the rate of inputs weighted by their respective output elasticities plus a shift factor referred to as the total factor productivity, or TFP. Under the assumption of profit maximization and producer's equilibrium, the output elasticity with respect to each input, which is unobservable and must be estimated from an assumed form of production function, is replaced by the share of factor income, the growth of output and the growth of each input weighted by its income share.

An economy of ASEAN group is an exporter of primary commodities and the income elasticity of the rest of the world's demand for such good is low relatively. The economy is facing a slow and steady in the terms of trade deterioration, and leading to a current account deficit while the exporter sector is focus on the labour intensive.

From the thesis analysis, the providing theoretical interpretation of features of international data. In Thailand Malaysia and Indonesia, the countercyclical movements in the net exports and the tendency for the trade balance is negatively correlated with the present and future movement, and positively correlated with past movement. The same properties in the ASEAN group stochastic growth model on the trade fluctuations which reflectively, the dynamics of capital formation. The production substitution and consumption effected from price and technology shock, while the whole ASEAN group are confronting this problem, exception Singapore.