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PIMPORN CHUNGSAWANANT : THE POSSIBILITY OF MONETARY  
INTEGRATION IN ASEAN : LESSONS FROM THE EUROPEAN MONETARY  
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This thesis was inspired by a new force in the global economic competition which is characterized by the regional integration. European Monetary System, by far the strongest and the most successful integration, posts to be an example and lessons for ASEAN to solve their own economic problems. The system which was established in 1979 has been credited, for the most part, in maintaining the stability of exchange rates and reducing inflation among its members. Nevertheless, some wrinkles remain to be ironed out in the area of finance and the management of temporary financial crises.

This study aims to analyze the possibility of setting up the ASEAN monetary system (AMS). The study begins by contrasting and comparing the conditions among ASEAN members over ten-year period through the Optimum Currency Areas Theory and the characteristics of adjustment process before the monetary integration. The data set was obtained from International Financial Statistics of five ASEAN countries, namely : Malaysia, Indonesia, Philippines, Singapore and Thailand, covering the period 1985 to 1995.

According to OCA theory, the study detects a higher degree of openness and higher level of and similarity of inflation rates among the member countries. Although some impediments remain in the mobility of labour and capital, they tend to mollify in the future.

On the characteristic of convergent and adjustment, using standard deviation of five ASEAN members variables, government budget per GDP, public debt per GDP, and seigniorage per GDP are found to be supporting factors in the formation of AMS. However, economic growth rate, current account per GDP, exchange rate and interest rates are found to be negative factors because they diverge significantly among member countries.

Finally, the study compare means and standard deviation of vital economic variables of seven EMS members (Belgium, Denmark, France, Germany, Ireland, Italy and Netherlands) to those of five nations in ASEAN. Specifically, the comparisons intend to test the hypotheses that means level and volatility of these variables between the two groups, EMS and ASEAN, are not significantly different. The implication of the test could be helpful in the prediction of outcomes after AMS. The results show that all variables except current account per GDP are consistent with the hypotheses.

The study concludes that the formation of AMS is supported by fiscal factors. Nevertheless, problems from the differences in finance and economic structure as well as government's policy could be the major obstacles to the integration. Hence, ASEAN should be concentrated in initiating more cooperation among its members to pave the ground for AMS. This effort may include the setting up of the ASEAN single market to stimulate even more liberalization among its members.

ภาควิชา.....เศรษฐศาสตร์  
สาขาวิชา.....เศรษฐศาสตร์  
ปีการศึกษา.....2539

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