

Chapter 5

Conclusion

Summary

From Table 41, there are reject any hypothesis that permanent income and relative export and import prices significantly affect to export and import in perfect substitute model in ASEAN. As same as, accept many hypothesis that permanent income and relative export and import prices significantly affect to export and import in imperfect substitute model in ASEAN.

Income elasticities of Japan or the United States demand for ASEAN member's exports have been indicated the same relationship between ASEAN member's export to Japan or the United States and Japanese or the United States' permanent income, because of the positive sign of the income elasticities. Moreover, magnitude of income elasticities have been specified the kind of export and import products. For instance, Indonesian and Philippine exports to Japan were necessary products, but, Malaysian, Singaporean, and Thai exports to Japan were luxury products. Next, Indonesian, Malaysian, Singaporean, and Thai exports to the United States were luxury products, but Philippine exports to the United States was necessary products.

Income elasticities of ASEAN member's import demand from Japan or the United States have been indicated the same direction between ASEAN member's import from Japan or the United States and ASEAN member's permanent income. Moreover, Indonesian, Malaysian, Singaporean, and Thai

imports from Japan were luxury products, but Philippine imports from Japan was necessary products. Next, all of ASEAN member's imports from the United States were luxury products.

In other side, price elasticities of Japan and the United States demand for ASEAN member's exports have been indicated the same relationship between ASEAN member's exports to Japan or the United States and ASEAN member's relative export prices, because of the positive sign of the price elasticities. It has been explained that if ASEAN relative export prices increased, ASEAN member's export values to Japan or the United States would increase because the decrease of export quantity less than the increase of export prices. Secondly, most of ASEAN member's exports to Japan or the United States were luxury products. If ASEAN member's relative export prices increased, ASEAN member's export values to Japan or the United States would still increase. Exceptions of price elasticity of Philippine exports to Japan and price elasticity of Singaporean exports to the United States have the negative sign. Moreover, magnitude of price elasticities have been specified the elastic and inelastic of their price elasticities. For instance, price elasticities of all ASEAN member's exports to Japan were inelastic. Next, price elasticities of Malaysian, Philippine, Singaporean, and Thai export to the United States were inelastic, but price elasticities Indonesian exports to the United States was elastic.

Price elasticities of ASEAN member's import demand from Japan or the United States have been indicated the same direction between ASEAN member's import from Japan or the United States and ASEAN member's relative

import prices. It has been explained that if ASEAN member's relative import prices increased, ASEAN member's import values from Japan or the United States would increase because the decrease of import quantity less than the increase of import prices. Secondly, most of ASEAN member's imports from Japan or the United States were luxury products. If ASEAN member's relative import prices increased, ASEAN member's import values from Japan or the United States would also increase. Exception of price elasticity of Philippine imports from Japan has the negative sign. Moreover, price elasticities of all ASEAN member's imports from Japan or the United States were inelastic. Next, price elasticities of Indonesian, Philippine, and Thai imports from the United States were inelastic, but price elasticities of Malaysian and Singaporean imports from the United States were elastic.

From table 21-40, the Eigenvalue and Likelihood ratio of Japan and the United States demand for ASEAN member's exports, Japanese and the United States' permanent income, and ASEAN member's relative export prices have long run relationship at 5 percents significant level. As same as, Eigenvalue and Likelihood ratio of ASEAN member's imports demand from Japan and the United States, ASEAN member's permanent income, and ASEAN member's relative import prices have long run relationship at 5 percents significant level.

From table 42, there has been illustrated the magnitude of long run relationship between Japan and the United States demand for ASEAN member's exports, Japanese and the United States' permanent income, and ASEAN member's relative export prices. As same as, the magnitude of long run

relationship between ASEAN member's imports demand from Japan and the United States, ASEAN member's permanent income, and ASEAN member's relative import prices.

Table 41: Estimate of Income and Prices Elasticity of export and import in ASEAN

Estimates Income and Price Elasticities of Japan Demand for ASEAN Member

	Exports				
Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp^*	0.646	1.032	0.647	1.331	1.046
p^x/p^*	0.980	0.791	-0.399	0.904	0.283

Estimates Income and Price Elasticities of the United States Demand for ASEAN

	Member Exports				
Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp^*	1.310	1.711	0.722	1.99	2.648
p^x/p^*	1.334	0.791	0.634	-0.282	0.354

Estimates Income and Price Elasticities of ASEAN Member Import Demand from

	Japan				
Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp	1.006	1.139	0.879	1.129	1.135
p^m/p	0.474	0.837	-0.194	0.886	0.048*

Estimates Income and Price Elasticities of ASEAN Member Import Demand from the

	United States				
Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp	1.020	1.387	1.060	1.279	1.147
p^m/p	0.607	1.561	0.319	1.529	0.511

(* that coefficient was insignificant)

Table 42: Estimate magnitude of long run relationship of export and import in ASEAN

Estimates magnitude of long run relationship of Japan Demand for ASEAN member exports

Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp^*	0.967	1.382	0.499	0.173	1.183
p^x/p^*	0.876	3.211	-0.206	-1.592	0.667

Estimates magnitude of long run relationship of the United States Demand for ASEAN member exports

Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp^*	1.885	2.477	1.257	3.220	2.580
p^x/p^*	1.326	-2.658	-0.278	0.606	0.485

Estimates magnitude of long run relationship of ASEAN member's Import Demand from Japan

Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp	1.048	1.316	0.903	0.656	1.328
p^m/p	-0.109	2.924	-1.170	1.008	-1.871

Estimates magnitude of long run relationship of ASEAN member's Import Demand from the United States

Coefficient	Indonesia	Malaysia	Philippines	Singapore	Thailand
yp	0.937	1.731	1.068	0.518	1.234
p^m/p	-0.057*	-1.635	-0.005*	-1.290	-1.136

(* that coefficient was insignificant)

Limitation of the study and Suggestion for Future Research

This study illustrates inconsistency of the relationship between relative export and import prices to export and import values because most of the coefficient sign of ASEAN members' relative export and import prices in the models proved positive instead of negative. The relationship between export and import values to relative export and import prices have appeared in the same direction owing to the relatively small decline in export and import quantity less the offset of the rise in export and import prices while the export and import values still increased. The relative export prices were defined by ASEAN members' export unit values divided by the importer countries' consumer price index where as the relative import prices were defined by ASEAN members' import unit value divided by ASEAN members' consumer price index. Unfortunately, the calculated relative export and import prices are varied according to the unrelated between consumer price index in almost every country and export / import prices.

The implication of the problems above was suggested for future research. First of all, it would be more appropriate to define another index instead of consumer price index. Secondly, export and import quantity instead of export and import values may be a better dependent variables to be used in the analysis. Lastly, this study explores the trade between ASEAN members and the important trading countries of ASEAN members, as Japan and the United States. However, the role of trading among the ASEAN countries have significantly increased, as a result, it may lead to future research of international trade among the ASEAN region.

Policy Implication

This study has been illustrated the importance of differential potential of export and import in ASEAN region, when permanent income and relative prices have been changed. In consideration of permanent income, Japanese permanent income was more effective on Malaysian, Singaporean, and Thai export values to Japan than Indonesian and Philippine export values to Japan. Secondly, the United States' permanent income was more effective on Indonesian, Malaysian, Singaporean, and Thai export values to the United States than Philippine export values to the United States. Thirdly, Indonesian, Malaysian, Singaporean, and Thai permanent income was more effective on its' import values from Japan than Philippine import values from Japan. Fourthly, all of ASEAN members' permanent income was similarly effective on its' import values from the United States. Furthermore, Japanese permanent income was less effective on ASEAN members' export than the United States' permanent income. In the other side of relative prices, ASEAN members' relative export prices were effective on its' export to Japan. Secondly, ASEAN member's relative export prices were effective on its' export to the United States in the exception of Indonesian export values. Thirdly, ASEAN members' relative import prices were effective on its' import from Japan. Fourthly, Malaysian and Singaporean relative import prices were more effective on its' import than Indonesian, Philippine, and Thai relative import prices. Unfortunately, Thai relative import prices were found to be insignificant effect Thai import values from Japan. However, the study reveals that permanent income was more effective on ASEAN members' export and import values than relative prices.