



An Econometric Analysis of ASEAN Co-operation toward Financial Liberalization

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Abstract

A correlation coefficient between unobserved investment barriers is proposed for serving as a co-operation indicator toward financial liberalization among ASEAN-member countries. The Kalman-filter estimation is based on the single-latent variable specification of an international asset pricing model under mild segmentation assumptions. Using weekly data from August 10, 2001 to May 4, 2012, it is found that the correlation coefficients are random and time-varying. Their levels are very high and on average over 0.90, although they can turn negative at times. The study concludes that the co-operation among ASEAN-member countries is high and effective.

Keywords : Financial Liberalization, Co-operation Indicator, Investment Barriers, Single-Factor Latent Variable Model

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