

# **International Business Cycles in South East Asia and Japan: An Empirical Investigation**

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Over the last few decades, there has been a noticeable increase in the volume of physical and financial trades between South-East Asia and Japan. This paper presents some empirical evidence on the historical properties of the economic fluctuations of the South-East Asian countries, in particular, the ASEAN group, with particular relation to Japan. In addition to business cycle facts, evidences on the saving-investment correlations and productivity spillovers are presented and discussed. While the business cycle facts found for the ASEAN economies and Japan appear to be broadly consistent with the previous studies for developed countries, the evidence on the productivity spillovers between the ASEAN group and Japan is quite weak. This is at odds with *a priori* belief and needs further investigation. However, there is ample evidence that the economic interdependence among the ASEAN countries has been substantially reinforced over the last three decades. Of particular interest is the finding that government spendings across the ASEAN countries are highly correlated, which is not typically observed from developed economies. This raises an issue that government spending could be potentially important in explaining international business cycle fluctuations within a trading bloc characterized by developing countries.

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