

"Exploring the Macroeconomic Interdependence of East Asian Countries: A GVAR Approach"

Abstract

Over the past few decades, with rapid economic growth, East Asia has also experienced deepening economic integration with active intraregional economic activities such as trade and investments. This development has contributed to the complex and possibly time-varying macroeconomic interdependence of countries in the region. To understand this interdependence more fully, this study aims to employ the Global Vector Autoregressive (GVAR) model. This model is useful because it can comprehensively capture the interdependence of domestic macroeconomies in the region and quantitatively describe the impact of shocks that occur in East Asian countries on the macroeconomies of other countries. By incorporating changes in trade relations over time, the model can capture the temporal evolution of shock propagation through supply chains. Furthermore, the idea of connectedness measures, developed by Diebold and Yilmaz (2009), will be applied to quantify changes in the interdependence of East Asian countries over the past 40 years.