Schedule of Activities of the 37TH Federation of ASEAN Economic Associations Annual Conference

November 28, 2012 (Wednesday)

9:30 a.m.
OPENING CEREMONIES
Venue: Summit Hall D, 4th Floor

Opening and Welcome Remarks — **Peter Lee U**, *PES President*

Keynote Address — **The Determinants and Long-term Projections of Saving Rates in Developing Asia**
Charles Horioka, *Osaka University*

Open Forum

10:30 a.m.
PLENARY SESSION 1: Inclusive Growth in ASEAN
Venue: Summit Hall D, 4th Floor

Presentations — **Narrowing the Development Divide in ASEAN: The Role of Policy**
Jayant Menon, *Asian Development Bank*

Rogier van den Brink
World Bank

Open Forum

12:00 **LUNCH** (Venue: Banquet Hall, 5th Floor)

1:30-3:00 **PARALLEL SESSIONS**

PANEL I
MICRO SMES FOR INCLUSIVE GROWTH
Venue: Meeting Room 9, 3rd Floor

The Viability of Industry in Industrial Cluster: Still Hopes for Growth
Sri Indah Nikensari
Jakarta State University

International Regional Development: Recognizing Entrepreneurs' Needs and Perception
Agusdin
Matarram University

The Role of Strategy and Business Environment on Firm's Resources-Performance Relationships: The Case of Indonesia SMEs
Lena Ellitan
Widya Mandala Catholic University

The Role of Small and Medium Enterprises in Indonesia
Didik J. Rachbini
Indonesian Economists Association

PANEL II
FINANCIAL AND CAPITAL MARKETS DEVELOPMENT
Venue: Meeting Room 10, 3rd Floor

International Capital Flows and Labor Migration: The Malaysian Perspective
Evelyn Devadason and Thirunaukarasu Subramaniam, *University of Malaysia*

Exchange Market Pressure and Degree of Intervention in Malaysia
Saadiah Mohamad and Azlul Kalilah Zaghlol
Universiti Teknologi MARA

Capturing the Linkages between Real and Financial Variables: A Global Projection Model for the Philippines
Ruperto Majuca and Joy Sinay
National Economic and Development Authority

Hedging Illiquidity Risk through Securitization: Evidence from Loan Commitments
Neil Cabiles
National Economic and Development Authority

PANEL III
COMPETITION POLICY
Venue: Meeting Room 11, 3rd Floor

Impact of Competition Policy on Merger Banks and Non-financial Firms in Indonesia
Ni Nyoman Sawitri and Ludwina Harahap
School of Business and Management, Jakarta

Competition Law and Policy in the European Union: Some Lessons for Southeast Asia
Lino Briguglio, *University of Malta*

European Union Competition Law: Innovation, Hypercompetition and Consumer Welfare
William Clune, *Economic Society of Singapore*

Learning from Exporting: Cambodia's Experience
Chhair Sokty, *Cambodian Economic Association*

Balancing Industrial Concentration and Competition for Economic Development in Asia
Angelica Barcenas and Padmini Mahurkar
AIM Policy Center

PANEL IV
FOOD SECURITY AND THE ENVIRONMENT
Venue: Meeting Room 12, 3rd Floor

The Pattern of Food Security and Economic Crisis: Evidence on ASEAN 5 Countries
Lukman Hakim
Universitas Sebelas Maret Indonesia

Jauhari Dahalan
Universiti Utara Malaysia

Economic Risk Analysis of Alternative Farming Systems for Smallholder Farmers in Central and Northeast Thailand
Satit Aditto, *Khon Kaen University*
Christopher Gan and Gilbert Nartea
Lincoln University, New Zealand

The Strategy of Rice Price Stabilization in Indonesia
Wijoyo Santoso, Nurhemi and Guruh Suryani
Bank Indonesia

PANEL V
SOCIAL PROTECTION MECHANISM
Venue: Room D-301, 3rd Floor

Baseline Survey on Women's Participation in Economic Activities in the Poorest Municipality of Camarines Sur
Bernadette Gavino-Gumba, *Ateneo de Naga University*

Union Benefits as Part of the Inclusive Growth Strategy: The Case of Singapore
Chew Soon Beng and Aaron Neo
Nanyang Technological University/ Economic Society of Singapore

3:00 **COFFEE BREAK**

4:00 **FAEA BOARD MEETING**

5:00 **CULTURAL TRIP: Tour of the Bangko Sentral ng Pilipinas Museum**

6:30 **WELCOME DINNER RECEPTION** (hosted by the Bangko Sentral ng Pilipinas)

Schedule of Activities of the 37TH Federation of ASEAN Economic Associations Annual Conference

November 29, 2012 (Thursday)

9:30 a.m.

OPENING CEREMONIES

Venue: Summit Hall D
4th Floor

Opening and Welcome Remarks — **Peter Lee U**, *PES President*

Keynote Address — **Shanaka Jayanath Peiris**, *International Monetary Fund*

Open Forum

10:30 a.m.

PLENARY SESSION 2:

Regional Integration of Financial and Capital markets in ASEAN

Venue: Summit Hall D, 4th Floor

Presentations

Diwa Guinigundo
Bangko Sentral ng Pilipinas

Going Regional: How to Deepen ASEAN'S Financial Market
Eli Remolona
Bank for International Settlements

Hans Sicat
Philippine Stock Exchange

Open Forum

12:00 **LUNCH** (Venue: West Banquet Hall, 5th Floor)

1:30 - 3:00 **PARALLEL SESSIONS**

PANEL I
MICRO SMES FOR INCLUSIVE GROWTH
Venue: Meeting Room 12, 3rd Floor

The Impact of Global Financial Crises on SMEs: Evidence from Indonesia Economy
Tri Winarno
Central Bank of Indonesia

SMEs Access to Finance in the Philippines
Rafaelita Aldaba
Philippine Institute for Development Studies

The Performance of Indonesia's Textile Industry
Bernadette Robiani
University of Sriwijaya

Promoting Innovation Activities in Vietnamese SMEs: The Role of Local Research Institutes
Vinh Tuong Phi
Vietnam Institute of Economics

PANEL II
FINANCIAL AND CAPITAL MARKETS DEVELOPMENT
Venue: Meeting Room 10, 3rd Floor

Explaining Growth and Consolidation in the Micro-finance Industry of the Philippines
Jovi Dacanay
University of Asia and the Pacific

Are there Rational Speculative Bubbles in ASEAN Stock Markets?
Gilbert Nartea, Bo Hu and Baiding Hu
Lincoln University

The Impacts of Microcredit on Poverty Reduction: Evidence from Cambodian Rural Villages
Phim Rusinarith
UNDP Cambodia

PANEL III
FOOD SECURITY AND THE ENVIRONMENT
Venue: Room D-301, 3rd Floor

Analysis of the Implication of Contract for the Survival of Eucalyptus Oil Business in the Regency of Buru
Hayati Hehamahua, *Iqro University, Buru* Maluku

Price Formation of Red Chili in Indonesia
Wijoyo Santoso, Sri Liani Suselo, Felicia Barus and Gurun Suryani, *Bank Indonesia*

Investigating Agricultural Productivity Improvements in Transition Economies
Supawat Rungsuriyawiboon
Thammasat University

Multi-market Modeling of Agricultural Supply when Crop Land is a Quasi-fixed Input: A Note
Roehlano M. Briones
Philippine Institute for Development Studies

PANEL IV
SOCIAL PROTECTION MECHANISM
Venue: Meeting Room 11, 3rd Floor

Social Protection in Informal Sector in Thailand
Yongyuth Chalamwong
Thailand Development Research Institute

How A Social Enterprise Enabled the Poor to Participate in Economic Growth
Agnes Banzon and Loida Mojica
University of the Philippines Los Baños

Materialism and Satisfaction with Life: A Study of Emerging Urban Vietnamese Consumers
Nguyen Thi Tuyet Mai
National Economics University, Vietnam

PANEL V
SOCIAL PROTECTION MECHANISM II
Venue: Meeting Room 9, 3rd Floor

Main Findings of the Pantawid Pamilya Impact Evaluation Study
Junko Onishi
The World Bank

3:30 **Closing Ceremonies**

The Pattern of Food Security and Economic Crisis:

Evidence on ASEAN 5 Countries

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Abstract

The relationship of food security and the economic crisis is an important issue in today's development discourse. The view that the food security of the prime would be able to withstand the economic crisis still need to be proven by the state. This research will discover patterns and relationships between food security and the economic crisis to growth in the ASEAN 5. Data for the economic crisis will be using Exchange Market Pressure (EMP), while data on Food Security Index (FSI) will be proxy of food production index (FPI), an index of crop production (CPI) and livestock production index (LPI). All three indexes is important to look at each country's food security related to macroeconomic variables and economic crisis. The method will be used in this study is a panel data analysis and Vector Error Correction Model (VECM). Based on results of impulse response analysis of VECM model results found that Indonesia and the Philippines have the same pattern of the food security variable (FSI) is more influential than the crisis variable (EMP). Meanwhile, in Malaysia, Singapore and Thailand show that the crisis variable (EMP) is much stronger effect than on food security (FSI). But on the panel data analysis showed that relationship between the crisis index (EMP) against growth is negative, but food security (FSI) to growth is positive.

Keyword: Food Security, Economic Crisis, VECM and Panel Data

Introduction

The relationship of food security, growth and the economic crisis is an important issue in development discourse. The view that the food security of the prime would be able to withstand the economic crisis still need to be proven by the state (Timmer, 2009 & 2011). The view that the food security of the prime would be able to withstand the economic crisis still need to be proven by the state.

This research will discover patterns and relationships between food security and the economic crisis to growth in the ASEAN 5. Data for the economic crisis will be using Exchange Market Pressure (EMP), while data on Food Security Index (FSI) will be proxy of food production index (FPI), an index of crop production (CPI) and livestock production index (LPI). All three indexes are important to look at each country's food security related to macroeconomic variables and economic crisis (Fangquan(2002).

Meanwhile, separately, Girton & Roper (1977) is also developing an indicator of the economic crisis called the EMP, which is the sum of foreign exchange reserves and real exchange rates. Connolly & Silveira (1979) develop the economic crisis model with EMP as the dependent variable, whereas the independent variable is domestic credit, GDP and prices. Burdekin & Burkett (1990) and Tanner (2001) explore the EMP and BOP model to explain global economic crisis in 1990s and 2000s. Therefore this study will examine the relationship between the FSI and the EMP model to the growth is applied to ASEAN 5 countries.

Methodology

Vector Error Correction Model (VECM)

Vector Autoregression (VAR) or Vector Error Correction Model (VECM) was introduced as an alternative approach to multi-equation modeling. VAR makes minimal theoretical demands on the structure of the model (Sims, 1980a b). Characteristic of VAR/VECM are (1) the all variables are endogenous that are believed to interact and that hence should be included as part of the economic system one is trying to model and (2) the largest number of lags needed to capture most of the effect that variables have on each other (Pindyck and Rubinfeld, 1998).

$x_t = A_0 + A_1 x_{t-1} + A_2 x_{t-2} + \ldots + A_p x_{t-p} + e_t$ (13)

where

x_t = an (n x 1) vector containing each of the n variables included in the VAR

A_0= an (n x 1) vector of intercept term

A_i = (n x n) matrices of coefficients

e_t = an (n x 1) vector of error term

VAR have two tools of estimation are impulse response and variance decomposition. Impulse response formula is a vector stochastic process x of a VAR / VECM model can be expressed as

$$\mathbf{x}_t = \sum_{s=0}^{\infty} \mathbf{A}_s \mathbf{e}_{t-s} \quad (14)$$

where $e_t = x_t - E(x_t \mid x_{t-1}, x_{t-2}, \ldots)$ then choose given B is a diagonal matrix and Bet has a diagonal covariance matrix, such that $C = AB^{-1}$ and f=Be, therefore

$$x_t = \sum_{s=0} C_s f_{t-s} \quad (15)$$

The coefficient C is the reported as " responses to innovations" or impulse response. Meanwhile, variance decomposition formula is the variance-covariance matrix of $x_t - E(x_t \mid x_{t-1}, x_{t-2}, \ldots)$, with k period-ahead forecast of x and is given as

$$V_k = \sum_{s=0}^{k} C_s Var(f_t) C_s^{'} \qquad (16)$$

Sims' methodology entails little more than a determination of the appropriate variables to include in the VAR and a determination of the appropriate lag length. The variables to be included in the VAR are selected according to the relevant economic models. Lag-length test select the appropriate lag length with many information criteria approaches like Akaike information criteria (AIC), Schwarz criterion (SC), and Hannan-Quinn criteria (HQ).

The issue of whether the variables in VAR need to be stationary exists. According Sims (1980a) and Doan (1992) recommend against differencing even if the variables contain a unit root. They argue that the goal of VAR analysis is to determine the interrelationships among the variables, not the parameter estimates. The main argument against differencing is that it "throws away" information concerning the comovements in the data such as the possibility of cointegrating relationships (Enders, 1995).

Panel Data

Panel data refers to pooling observation for *N* a cross section (e.g. countries, households, firms, individuals, etc.) over several *T* time periods (e.g. annually, quarterly, monthly, etc.). According to Baltagi (2003) explore several benefits of panel data. First, panel data can be controlling for individual heterogeneity usually panel data suggest that individuals, firms, states or countries are heterogeneous. Time-series and cross-section studies no controlling for this heterogeneity run the risk of obtaining biased result. Second, panel data give more informative data, more variability, less collinearity among the variables, more degree of freedom and more efficiency. Time series studies are plagued with multicollinearity. Third, panel data are better able to study the dynamics of adjustment. Cross sectional distribution that look relatively stable hide a multitude of change. Spells of unemployment, job turnover, residential and income mobility are better studied with panels. Panel data are also well suited to study the duration of economic states like unemployment and poverty, and if these panels are long enough. Fourth, panel data are better able to identity and measure affects that are simply not detectable in pure cross-section or pure time series data. Firth, panel data models allow us to construct and test more complicated behavioral models than purely cross-section or time data. Sixth, panel data are usually gathered on micro units, like individual, firms and households. Many variables can be more accurately measured at the micro level, and biases resulting from aggregation over firms or individuals are eliminated.

Meanwhile, according to Baltagi (2003) exhibits several limitations of panel data method. First, design and data collection problems include problems of coverage (incomplete account of the population of interest), non response (due to lack of cooperation of the respondent or because of interviewer error), recall (respondent not remembering correctly), frequency of interviewing, interview spacing, reference period, the use of bounding and time in sample bias. Second, short time series dimension problem because typical panels involve annual data covering a short span of time for each individual. This means that asymptotic argument rely crucially on the number of individual tending to infinity. Increasing the time span of the panel is not without cost either. In fact, this increase the chances of attrition and increases the computational difficulty for limited dependent variable panel data model.

The basic framework of the panel data is a regression model of the form

$$Y_{it} = \alpha_i + \beta X_{it} + u_{it} \qquad (17)$$

Where the variables Y and X have both *i* and *t* subscripts for i = 1,2,.., *N* sections and *t* = 1,2…, T time periods. The data set is called *balanced* if nest data both across section and across time is full. Otherwise, when observations are missing for the time periods of some of the cross sectional units then the panel is called *unbalanced*.

In general panel data divide two approach are static and dynamic model. In the static model consist of a common constant, fixed effect and random effect. The following will explain one by one:

The Common Constants Method

The common constants method also called the pooled OLS method as in equation (17). The assumption of the model are no differences among the data matrices of the cross sectional dimension (N). In others words the model estimates a common constant a for all cross sections or commons constant for countries.

Practically, this method implies that there are no differences between the estimated cross section and it is useful under the hypothesis that the data set is a priori homogeneous. However, this case is quite restrictive and case of more interests involving the inclusion of fixed and random effects in the method of estimation (Asteriou & Hall, 2007).

The Fixed Effects Method

According to Asteriou & Hall (2007), in the fixed effects method, the constant is treated as group or section specific. This means that the models allows for different constants for each group. The effects estimator is also known a the least squares dummy variables (LSDV) estimator because in order to allow for different constants for each group, it includes a dummy variable for each group. To understanding this better consider the following model:

$$Y_{it} = a_i + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots + \beta_k X_{kit} + u_{it} \quad (18)$$

which can be written in a matrix notation as:

$$Y = D_\alpha + X\beta' + u \quad (19)$$

where the dummy variable (*D*) is the one that allow us to take different group-spesifc estimates for each of the constants for every different section. The standard F-test can be used to check fixed effect against the simple common constants OLS method.

The Random Effect Method

According to Asteriou & Hall (2007), the random effect method is an alternative method of estimating a panel data model. The difference between the fixed effect and the random effects method is that the latter handles the contains for each section not as fixed, but as random parameters. Hence the variability of the constant for each section comes from the fact that:

$$a_i = a + v_i \quad (20)$$

where v_i is zero mean standard random variable. The random effect model takes the following form:

$$Y_{it} = (a + v_i) + \beta_1 X_{1it} + \beta_2 X_{2it} + \ldots + \beta_k X_{kit} + u_{it} \quad (21)$$

$$Y_{it} = a + \beta_1 X_{1it} + \beta_1 X_{1it} + \ldots + \beta_k X_{kit} + (v_i + u_{it}) \quad (22)$$

In general, the difference between the two possible ways of testing panel data models is this the fixed effect model assume that each country differs in its intercept term, whereas the random effect assume that each country differs in its error term. Usually, when the panel is balanced or contains all existing cross sectional data, one might expect that the fixed effects model will work best. In other case, where the sample contains limited observations of the existing cross sectional units, the random effect model might be more appropriate. In the random effect model used to the Breusch-Pagan test is the counterpart to the F-test.

In making a choice between the fixed effect and random effect approaches used to the Hausman tests. This test investigates whether random effect estimation could be almost good. Thus we actually test H_o, that random effects are consistent and efficient, versus H_1 that random effects are inconsistent, as the fixed effect will be consistent. A large value of the Hausman statistic, so we reject the null hypothesis that the random effect

Data

The data used for estimating the model on each country in this study consist of annually observations for the period of 1981 to 2009. In this research used to three data are exchange market pressure (total reserves + real exchange rate), GDP riel, food security index (FSI). All data is processed is the growth data. The all data source are taken from the world bank and International Financial Statistic (IFS) International Monetary Fund (IMF). Year of 1981 is chosen as the beginning of the sample, because this year is the milestone of implementation of the financial liberalization in ASEAN-5 countries.

Results and Analysis

VAR

As described above this research uses growth data, all data are stationary in levels, so the data does not need to be derived again. By using the AIC and SC to get the optimal lag for the VECM model is estimated lag 2 for all countries. Based on results of impulse response analysis of VECM model results found that Indonesia and the Philippines have the same pattern of the food security variable (FSI) is more influential than the crisis variable (EMP). Meanwhile, in Malaysia, Singapore and Thailand show that the crisis variable (EMP) is much stronger effect than on food security (FSI).

Panel Data

Results of panel data models indicate that economic crisis (EMP) a significant test of his t test in both the PLS model, Fixed Effects, and Random Effect. Even more encouraging that the results show a negative relationship between economic crisis (EMP) against growth, but food security (FSI) to growth is positive.

Conclusion

Based on studies using either VECM or panel data model shows that the role of food security is an important factor to increase the growth for the ASEAN 5 countries. This conclusion is in accordance with the theory that emphasizes that the relationship of food security on the growth is positive. In other words, food security is the important factor to overcome the global crisis that plagued developing countries.

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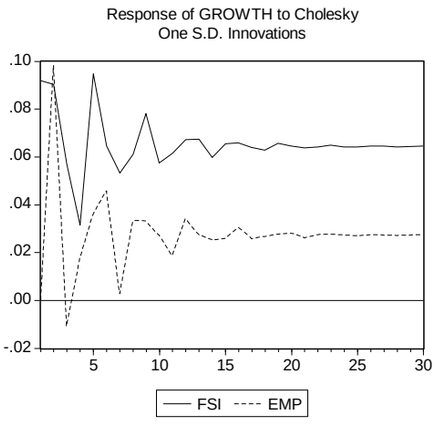
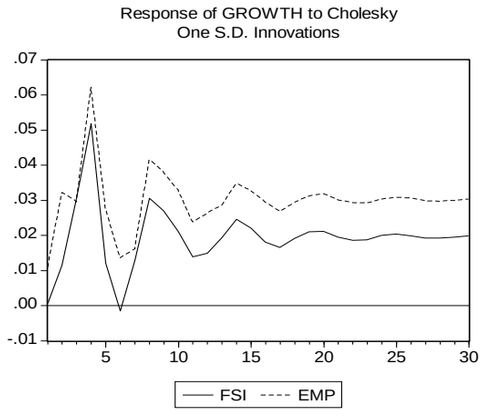
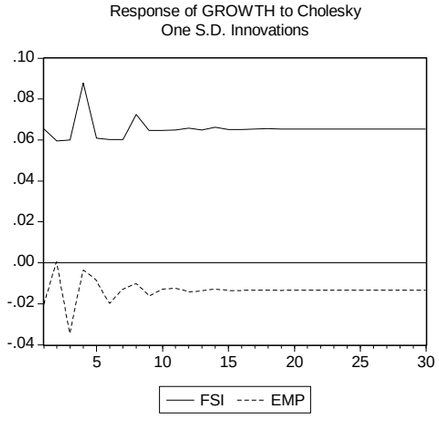
A. VECM Results



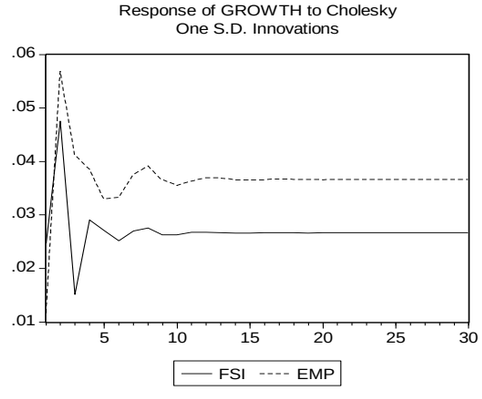
Indonesia



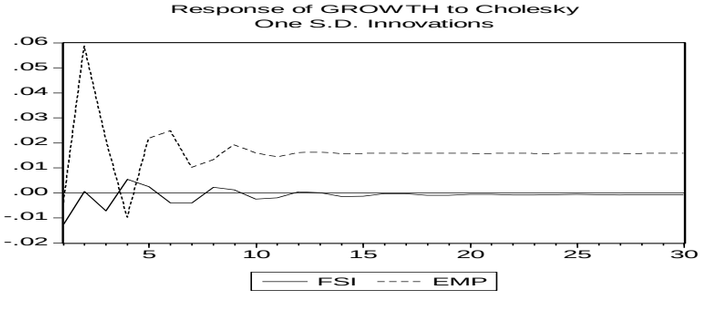
Malaysia



Philippines



Singapore



Thailand

B. Panel Data Results

Dependent Variable: GROWTH?

Method: Pooled Least Squares

Date: 10/15/12 Time: 02:29

Sample: 1981 2009

Included observations: 29

Cross-sections included: 5

Total pool (balanced) observations: 145

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.051796	0.010893	4.755174	0.0000
EMP?	-0.115954	0.025037	-4.631333	0.0000
FSI?	0.023615	0.095932	0.246168	0.8059
Fixed Effects (Cross)				
_INA--C	-0.026254			
_MAL--C	0.013685			
_PHIL--C	-0.043299			
_SING--C	0.045284			
_THAI--C	0.010584			

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.213759	Mean dependent var	0.029389
Adjusted R-squared	0.179575	S.D. dependent var	0.125521
S.E. of regression	0.113694	Akaike info criterion	-1.463549
Sum squared resid	1.783818	Schwarz criterion	-1.319845
Log likelihood	113.1073	Hannan-Quinn criter.	-1.405157
F-statistic	6.253133	Durbin-Watson stat	1.430933
Prob(F-statistic)	0.000008		

Dependent Variable: GROWTH?

Method: Pooled EGLS (Cross-section random effects)

Date: 10/15/12 Time: 02:40

Sample: 1981 2009

Included observations: 29

Cross-sections included: 5

Total pool (balanced) observations: 145

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.055434	0.010825	5.121130	0.0000
EMP?	-0.128413	0.024718	-5.195136	0.0000
FSI?	-0.030102	0.092361	-0.325911	0.7450
Random Effects (Cross)				
_INA--C	0.000000			
_MAL--C	0.000000			
_PHIL--C	0.000000			
_SING--C	0.000000			
_THAI--C	0.000000			

Effects Specification	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	0.113694	1.0000

Weighted Statistics

R-squared	0.154311	Mean dependent var	0.029389
Adjusted R-squared	0.142400	S.D. dependent var	0.125521
S.E. of regression	0.116241	Sum squared resid	1.918694
F-statistic	12.95522	Durbin-Watson stat	1.327342
Prob(F-statistic)	0.000007		

Unweighted Statistics

R-squared	0.154311	Mean dependent var	0.029389
Sum squared resid	1.918694	Durbin-Watson stat	1.327342

Correlated Random Effects - Hausman Test

Pool: FIXED

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.

Cross-section random	9.843454	2	0.0073

** WARNING: estimated cross-section random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
EMP?	-0.115954	-0.128413	0.000016	0.0018
FSI?	0.023615	-0.030102	0.000672	0.0383

Cross-section random effects test equation:

Dependent Variable: GROWTH?

Method: Panel Least Squares

Date: 10/15/12 Time: 02:41

Sample: 1981 2009

Included observations: 29

Cross-sections included: 5

Total pool (balanced) observations: 145

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.051796	0.010893	4.755174	0.0000
EMP?	-0.115954	0.025037	-4.631333	0.0000
FSI?	0.023615	0.095932	0.246168	0.8059

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.213759	Mean dependent var	0.029389
Adjusted R-squared	0.179575	S.D. dependent var	0.125521
S.E. of regression	0.113694	Akaike info criterion	-1.463549
Sum squared resid	1.783818	Schwarz criterion	-1.319845
Log likelihood	113.1073	Hannan-Quinn criter.	-1.405157
F-statistic	6.253133	Durbin-Watson stat	1.430933
Prob(F-statistic)	0.000008		