# Report on Bachelor Thesis

**Institute of Economic Studies, Faculty of Social Sciences, Charles University**

| Student: | Šimon Juhás |
|---|---|
| Advisor: | doc. Mgr. Tomáš Holub, PhD. |
| Title of the thesis: | Prospects of Monetary Integration in the ASEAN |

*OVERALL ASSESSMENT:*

**Short summary**

This bachelor thesis investigates feasibility and optimality of future monetary integration among the ASEAN countries. It provides a summary of stylised facts on the economic links between the regional countries. Its main part is based on the estimation of an OCA index based on the methodology of Bayoumi and Eichengreen (1996). The author also discusses the performance of ASEAN countries as regards the Maastricht criteria, even though these are not legally binding for these countries, of course (but may provide a benchmark on the formal criteria used in the European monetary integration). The overall conclusions of the author concerning the feasibility of a monetary union among the ASEAN countries are relatively sceptical.

**Contribution**

The question whether monetary integration is feasible in other regions besides the European Union, is a relevant one, even though the challenges faced by the euro area in the last 15 years have pushed it a bit to the backstage. The author contributes to this topic by analysing the prospects of monetary integration in the ASEAN region, using the most recent data. Given that the previous research papers on the same topic are already quite old, there is a clear benefit of looking at this issue from a more recent perspective. The conclusions are relatively sceptical, and thus unlikely to change the stance of the regional authorities (who, to the best of my knowledge, are not seriously pushing the monetary integration project forward).

**Methods**

The paper, besides some narrative analysis, uses the methodology of Bayoumi and Eichengreen from 1996, which is a relatively simple, but feasible approach to developing an OCA index. The estimated regression model brings coefficients with intuitive signs, but not all of them are statistically significant and the overall fit of the regression is relatively weak. The author himself acknowledges these issues in his text. It is an open question for me if some more sophisticated econometric method could bring stronger results; but this would probably go beyond the bachelor-degree requirements. Overall, I thus consider the applied methods acceptable.

**Literature**

The thesis provides a review of the seminal papers related to the OCA theory, as well as empirical papers on the ASEAN region. For a bachelor thesis, the overall amount of references is most probably acceptable; but the author might have added some more recent pieces of research focused e.g. on the empirical analysis of monetary integration in Europe or on the prospective monetary union in Africa.

**Manuscript form**

The thesis has a logical structure and ins written in decent English, the text is easy to understand. I have one minor remark: in equation (3) on page 20, which is the heart of this thesis, the coefficient for the *DISSIM* variable has the value of 0.00411, while in Appendix A it is 0.0004.

**Overall evaluation and suggested questions for the discussion during the defense**

The author consulted his thesis with me in several rounds. Even though he got under time pressure in the final phase of his work, he was able to incorporate my main suggestions in a satisfactory way and

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to achieve a decent manuscript form. "In my view, the thesis thus fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University, and **I recommend it for the defense**. The **suggested grade is C** (but I must admit that I have not seen other bachelor thesis at the IES in recent years and thus lack relevant comparison; I therefore leave the final judgment to the opponent and especially to the committee).

The results of the Urkund analysis do not indicate significant text similarity with other available sources. Having seen the evolution of the text over time, I have no doubt that it represent an original work by the author.

Possible questions for the debate at the defence:

(i) Discuss your choice of the benchmark for the estimated OCA index, below which you would conclude in favour of monetary integration, and above which you decided to give a sceptical conclusion.

(ii) Many challenges of the euro area in recent two decades relate to the absence of a fully-fledged political and fiscal union. Discuss the prospect of ASEAN in this regard.

*SUMMARY OF POINTS AWARDED* *(for details, see below):*

| CATEGORY | | POINTS |
|---|---|---|
| *Contribution* | *(max. 30 points)* | 24 |
| *Methods* | *(max. 30 points)* | 22 |
| *Literature* | *(max. 20 points)* | 15 |
| *Manuscript Form* | *(max. 20 points)* | 17 |
| **TOTAL POINTS** | *(max. 100 points)* | **78** |
| **GRADE** | **(A – B – C – D – E – F)** | **C** |

*NAME OF THE REFEREE: doc. Mgr. Tomáš Holub, PhD.*

*DATE OF EVALUATION:  25 May 2022*

Digitally signed by

*Tomáš Holub*
_____
**Referee Signature**