



CHAPTER 5

CONCLUSION

5.1 Conclusion

This study use the Import Demand function and use intermediate imports data, exchange rate, GDP from 1964-2000, And further more this thesis want to compare the influence of the exchange rate and the income variable (in this thesis means GDP), as we know that higher rates of income for the liberalizing economies, more increase in volumes of exports. And consequently bring the growth and the economic development.

The results of the study is that even though the change in exchange rate will be affect to the Intermediate imports but the GDP had more important variables, which is mean in Thailand change in exchange rate is not quite improve export but the development and growth will be the important variables to improve trade of Thailand.

5.2 Limitations of this study

First, it is possible to have other variables effecting on interest rates. Second, the true relation between interest rates and chosen explanatory is nonlinear. And finally, this thesis didn't interest in the forecast the behavior in the future because this thesis look at the historical data to evaluated the determinant that effect the intermediate imports.

5.3 Further study

If there is a complete in a volume and price of goods, we can study more in elasticity approach on Marshall-Lerner conditions "a real depreciation of a country's currency improves its current account". This study want to test the linkage between imports on intermediate products and exports on current account of Thailand. So the assumption is if the current account improves after devaluation, increase in export

might not result in a better balance of trade because there is also a rise in demand for import of raw material and intermediate products.

Moreover, if we look closely at the Balance of Payment, we can see the balance of trade after July 1997. Thailand's Balance of trade has a deficit and slowly a surplus because there is more export. This phenomenon is called "J-curve effect" which is an interesting topic for further study.

And further more we can see the GDP of foreign countries as USA, Japan, Singapore who are the important Thailand's trade partners to see the Elasticity of Thailand imports compare with the other countries.

Import content is the interesting part for further study because import content can tell more deeply data in the intermediate import and capital goods.

5.4 Recommendations

Some economists believed that international trade theory based on comparative advantage¹ is irrelevant for developing countries and to the development process. Developing nations are not necessarily or always relegated by traditional trade theory to export mostly primary commodities and import mostly manufactured products. For example, as a developing country accumulates capital and improves its technology, its comparative advantage shifts away from primary products to simple manufactured goods first and then to more sophisticated ones. So for the long-term development of Thailand's economic, we should adopt productive capability by using capitals and machines in the country and go on to adopt more complicated tools later. And Thailand should develop the productive structure more suitable with the resources in the country.

¹ Comparative advantage theory prescribes that developing countries should continue to specialize in the production and export of raw materials, fuel, minerals, and food to developed countries in exchange for manufactured products.