

ABSTRACT

This thesis is conducted to examine two-way causal relationship between export growth and economic growth of Thailand, which can verify the export-led growth and growth-led export evidence in Thailand from year 1993 to the third quarter of year 2004. Moreover, two-way causal relationship between manufactured export growth and economic growth of Thailand is also investigated to compute manufactured export-led growth and growth-led manufactured export evidence in Thailand from year 1993 to the third quarter of year 2004.

Macroeconomic data are obtained from Bank of Thailand (BOT), National Economic and Social Development Board (NESDB), and Customs Department. The macroeconomic data are deflated by 1988 price because Thai economy in year 1988 had both high stability and economic growth regarded as the golden year of Thailand. Three macroeconomic variables deflated by 1988 price index, namely real export growth, real manufactured export growth, and real GDP growth, are bidirectionally investigated by Granger causality test with 4 time lags in order to analyze the hypotheses and to achieve the research objectives.

Results from analyzing two-way causal relationship between export growth and real GDP growth produce evidence to support export-led growth but doesn't statistically produce evidence to support growth-led export hypothesis in Thailand. From export-led growth hypothesis, export growth is statistically found to have negative one-way causal relationship with economic growth of Thailand. Similarly, Results from analyzing two-way causal relationship between manufactured export growth and real GDP growth provide evidence to support manufactured export-led growth but doesn't statistically provide any evidence to support growth-led manufactured export hypothesis in Thailand. From manufactured export-led growth

hypothesis, manufactured export growth is statistically found to have negative one-way causal relationship with economic growth of Thailand.

From import structure of Thailand, volume of import goods, especially oil and foreign capital, has risen along with export growth of Thailand. This can be a reason to explain why both export growth and manufactured export growth negatively affect economic growth of Thailand even though volume of Thai exports has accelerated. In order to reduce import burden, educational measure and tariff policy should be an effective tool to rely on for long-term and short-term plans respectively. Educational measure can improve productivity, skills and knowledge of Thai workers, which directly lead to solve problem of importing foreign machine and technology and raise competitiveness of Thai producers to compete in an international level in the long run. Tariff policy can be utilized by increasing tariff rate of importing foreign capital. This can create incentives for Thai producers to invest more in the research & development department to innovate their own technology and machine because cost of importing machine and technology is increased. Indirectly, this can cause inefficient Thai producers either to diversify their business or improve their efficiency in order to stay in this industry. Then, Thai producers, who are still able to operate their industries, will be prepared to compete in the global scale in the expectable future.

In the area of economics, this study can be further expanded to investigate causal relationship between each macroeconomic element, namely household consumption, private investment and so on, with economic growth. In the area of finance, econometric models can be very useful for causal relationship investigation to identify impacts of a specific stock on financial market performance.