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This research aims to investigate the factors affecting imports and exports of Thailand. The hypothesis of this study is not only price and income having the explanatory power to import and export, but also exchange rate and FDI. The quarterly data during the years 1996 to 2005 and cointegration and error correction method are applied in order to approach the behavior of imports and exports.

The results indicate that relative price, income and nominal exchange rate are significantly effect import behavior. The finding also points out that the NEER play an important role on import. This could be the result of studying period; during the time of changing international financial systems. Moreover, there is a evidence, showing the effect of economic crisis on total imports, raw material goods, capital goods, fuel and lubricant, chemicals and machinery.

All export supplies response on FDI with exception of fishery, shrimp, fresh and frozen, garment and jewelry whereas demand for exports can be explained by price. The elasticity of total import and manufacturing goods on nominal exchange rate show the positive direction and elasticity of income show that the world growth is one factor effect to Thai exports.

Short run equation of demand for import and export, and supply of export approach to long run equilibrium. The elasticity of short run model mostly has lower value than the long run. Moreover, the study of the impact of policy and external disturbances on the trade tells that the fiscal policy on tax has merely effect to capital goods, but significantly affect on consumer goods. This finding implies that trade negotiation under the import duty free would increase the Thai import volume of consumer goods. Finally, an increasing in the World GDP, product efficiency and direct investment have a significantly positive explanation to export growth of Thailand.

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