

Patcharee Preepremmote 2010: The Effects of Foreign Direct Investment on Balance of Payments of Thailand. Master of Economics (Business Economics), Major Field: Business Economics, Department of Economics. Thesis Advisor: Associate Professor Santiya Eag-ark, Ph.D. 199 pages.

Foreign Direct Investment (FDI) is a long-term investment which usually flows in with technology and helps increasing competitive and export competency of the country as well as boosting domestic employment to support Thailand sustainable economic growth based on consistent investment. Moreover, FDI also has an impact on the adjustment of international balance of payments. Therefore, the objectives of this study are: to study the general features of Thailand's FDI and the movement of her balance of payments, to examine the effects of FDI on Thailand's balance of payments. The quarterly data from 1993-2008 was analyzed by applying the Unit Root test and Multiple Regression with Ordinary Least Square (OLS) method for analyzing the effects of FDI on balance of payments.

The results of the study revealed that Thailand's FDI mainly flowed in from Japan, Singapore, Hong Kong, EU, America and etc. Since Thailand has been adjusting her economic structure, free trade policy, and supporting the inflow of foreign exchanges, these policies have attracted the investment of foreign investors. The industrial sector was the production sector which most foreign investors were interested in because Thailand has location advantages, huge marketplace and key basic factors including production infrastructure and labor force which could support changes in high technological industry. The results from quantitative study showed that FDI had the qualification of stationary at level. FDI affected export value, import value, trade balance and capital and finance account balance of Thailand positively with statistically significance. Since FDI had positive impacts on both export value and import value, its effect on balance of trade was unconcluded. But, when considering the effects of FDI on trade balance and capital and finance account balance, the result could be concluded that FDI had positive impact on Thailand's balance of payments.

The suggestions of the study are about the government should find out the measures or methods to support and attract foreign direct investment because the foreign direct investment helps increasing export value and also makes a result of better trade balance, better capital and finance account balance and better balance of payments.

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Thesis Advisor's signature