

Wuttipun Supina 2010: The Impact of Exchange Rate Disequilibrium on Trade Balance Between Thailand and China. Master of Economics, Major Field: Economics, Department of Economics. Thesis Advisor: Assistant Professor Bundit Chaivichayachat, Ph.D. 95 pages.

The objectives of this research are to calculate the equilibrium exchange rate between the Thai baht and Chinese yuan (Renminbi), and to measure the impact of disequilibrium exchange rates on trade balance between Thailand and China. Based on the theory, the equilibrium exchange rate is estimated by applying cointegration method and using quarterly from 1997:3 to 2008:4. Moreover, Vector Autoregressive (VAR) model is employed to estimate the Impulse Response Function in order to investigate the impact of disequilibrium exchange rates on trade balance.

The results of this study indicate that equilibrium exchange rate is determined by relative of real GDP. The average equilibrium exchange rate between the Thai baht and Chinese yuan calculated from the model is 5.3163. From the analysis, by using Impulse Response, we found that the shock of disequilibrium exchange rate can affect the trade balance. When the baht undervalued 1 unit will affect to the Thailand trade balance improve 2.682419 units (billion).

It can be summarized that devaluation of Thai baht could be applied to resolve Thailand trade balance. However, it is difficult in practical. Thus, government should try to create further practical ways to resolve this problem. For example there the developing human capital. Infrastructure and technology to achieve the goal.

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Thesis Advisor's signature